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Clinton fires the opening shots

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FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY FEBRUARY 8 1994

D8523A

Engineering strike in Germany looms after talks fail

The threat of an all-out strike in Germany's engineering industry loomed a step closer yesterday, when negotiations for a "pilot agreement" in North Rhine-Westphalia broke down.

The national executive of IG Metall, the trade union representing 3.6m engineering workers, meets today to discuss calls for an all-out strike. However, it was clear yesterday that neither side wants to precipitate outright conflict. **Page 20**

Time Warner, US entertainment group, reported fourth-quarter net income of $7m, down from $68m in the same period of last year, but operating results were modestly better. **Page 21**

Probe into Aer Lingus: The European Union is investigating claims of unfair pricing made against Aer Lingus by Ryanair, one of the state airline's main competitors on the Ireland-UK routes. Officials seized documents in a dawn raid on Friday. **Page 20**

Bank chief steps aside: Giampiero Cantoni, chairman of Italy's Banca Nazionale del Lavoro, announced he was temporarily stepping down.

Death of key figure in German banking

Hermann Josef Abs, who during his postwar heyday as head of the Deutsche Bank stood at the centre of corporate Germany, died at the weekend aged 92. He was the quintessential German banker, using his influence to play a significant role in rebuilding the West German economy, but attracted controversy, not least because of his wartime role. **Obituary, Page 3**

Metallgesellschaft: The supervisory board of the German mining, metals and industrial group was not at fault in failing to prevent the events which led to its near collapse of last month, a senior member of the Deutsche Bank management board said. **Page 21**

Maxwell musical banned: A musical on the life of Robert Maxwell due to open in London this week has been banned by a judge because it might prejudice the trial of the late publisher's sons, Kevin and Ian, and others charged with fraud over the Maxwell empire's collapse. **Page 12**

Probe into MP's death: UK police launched an investigation into the death of Conservative MP Stephen Milligan, 45, who was found dead in his west London flat. Initial investigations pointed to a murder enquiry.

Tokyo stalemate on stimulus plan: Japan's seven-party coalition will resume talks this morning after failing to agree a compromise on how to fund tax cuts to stimulate the economy, undermining prospects for a successful outcome to the US-Japan summit this week. **Page 20; Japan tackles growing drugs bill, Page 4**

Telecoms shake-up called for: Radical liberalisation of national telecommunications regimes is essential to meet Asia's demand for improved communications, according to a World Bank discussion paper. **Page 8**

Clinton wants renewed export controls: The US administration is this week expected to ask Congress for a broad reauthorisation of its power to impose unilateral controls on the export of technology, equipment and products applicable for military purposes. **Page 8**

Egyptian militants warn foreigners: The militant Egyptian Gama'a al-Islamiya group, which is fighting the government, warned that its next attacks would be concentrated on tourism and investment and said foreigners should be advised to leave the country.

Alusuisse-Lonza, Swiss aluminium, chemicals and packaging group, is launching an SFr400m ($276m) rights issue to help finance its SFr610m takeover of Canadian packaging group Lawson Mardon. **Page 21**

Middle East peace hopes raised: Expectations of a crucial advance in peace talks between Israel and the Palestine Liberation Organisation were raised last night as Israeli foreign minister Shimon Peres and Yassir Arafat, PLO chairman, prepared to meet in Cairo. **Page 4**

OECD attacks Sweden: Sweden was told by the Organisation for Economic Co-operation and Development it was living beyond its means and should reform its welfare policies and find new ways to finance state debt. **Page 2**

■ STOCK MARKET INDICES

FT-SE 100	3,419.1	(-56.3)
Yield	3.45	
FT-SE Eurotrack 100	1,495.54	(-34.23)
FT-SE-A All-Share	1,719.48	(-1.7%)
Nikkei	20,014.40	(-287.03)
New York: lunchtime		
Dow Jones Ind Ave	3,894.50	(+23.08)
S&P Composite	470.98	(+1.09)

■ US LUNCHTIME RATES

Federal Funds:	$3\frac{3}{16}$%
3-mo Treas Bills: Yld	3.29%
Long Bond	$98\frac{1}{8}$
Yield	6.387%

■ LONDON MONEY

3-mo Interbank	$5\frac{1}{2}$%	($5\frac{7}{16}$%)
Liffe long gilt future:	Mar $116\frac{1}{2}$	(Mar $117\frac{3}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$14.255	(14.535)

■ Gold

New York Comex (Apr)	$389.7	(386.6)
London	$384.7	(387.7)

■ STERLING

New York lunchtime:		
$	1.481	
London:		
$	1.4811	(1.4918)
DM	2.6111	(2.5897)
FFr	8.848	(8.7897)
SFr	2.1814	(2.1564)
Y	160.998	(161.249)
£ Index	82.0	(81.7)

■ DOLLAR

New York lunchtime:		
DM	1.7615	
FFr	5.9750	
SFr	1.472	
Y	108.85	
London:		
DM	1.736	(same)
FFr	5.975	(5.892)
SFr	1.4715	(1.4455)
Y	109.05	(108.09)
$ Index	67.5	(66.8)

Tokyo close Y 108.9

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000		
						UAE	Dh12.00		

Clinton's aim to reduce deficit to $165bn faces tough battle in Congress

US budget will cut spending

By George Graham in Washington

US president Bill Clinton yesterday presented a budget proposing sharp spending cuts and a reduction in next year's deficit from $234.8bn to $165.1bn, assuming passage of the administration's healthcare reforms.

More than 300 individual programmes will see funding cut below 1994 levels, including more than 115 cancelled outright, if Congress agrees with Mr Clinton's proposals.

While the overall federal budget will rise by 2.3 per cent to $1,520bn, the increase comes entirely in mandatory programmes such as Medicare and social security, which now make up almost half the federal budget, and in interest payments on the national debt, which will eat up $213bn.

Discretionary spending, which the administration and the Congress must assign in budget laws each year, will decline from $550.1bn this year to $542.4bn in the 1995 fiscal year, which starts on October 1.

The political battle is unlikely to be as fierce as last year, when Mr Clinton needed the casting vote of vice-president Al Gore to pass his first budget, particularly as the only tax increase proposed is a rise in the cigarette tax from 24 cents to 99 cents a packet, already announced to pay for part of the cost of healthcare reform.

But the administration still faces tough fights in Congress before the budget becomes law in the shape of a framework budget resolution – which theoretically should pass by April 15 – and 13 separate appropriation bills defining spending in 13 categories, which must pass before the end of the 1994 fiscal year on September 30.

The budget drew immediate criticism from Republicans such as Senator Pete Domenici, who complained that the money saved from spending cuts would go to increased spending on other programmes rather than to reducing the deficit, and Senator John McCain, who was worried about the depth of the reduction in military spending.

The fiercest resistance, however, may come from Mr Clinton's own Democratic party, where many are anxious about cuts in some low-income housing and welfare programmes.

Mr Leon Panetta, the budget director, said the administration had had to find $24bn of cuts to keep within the budget caps imposed by last year's budget law, which froze discretionary spending for the next five years at 1993's level, with some technical adjustments but no allowance for inflation.

Of that total, $8bn was to cover the cost of increased spending on Mr Clinton's investment priorities, including programmes such as pre-school education and job training, crime prevention, scientific research and road construction.

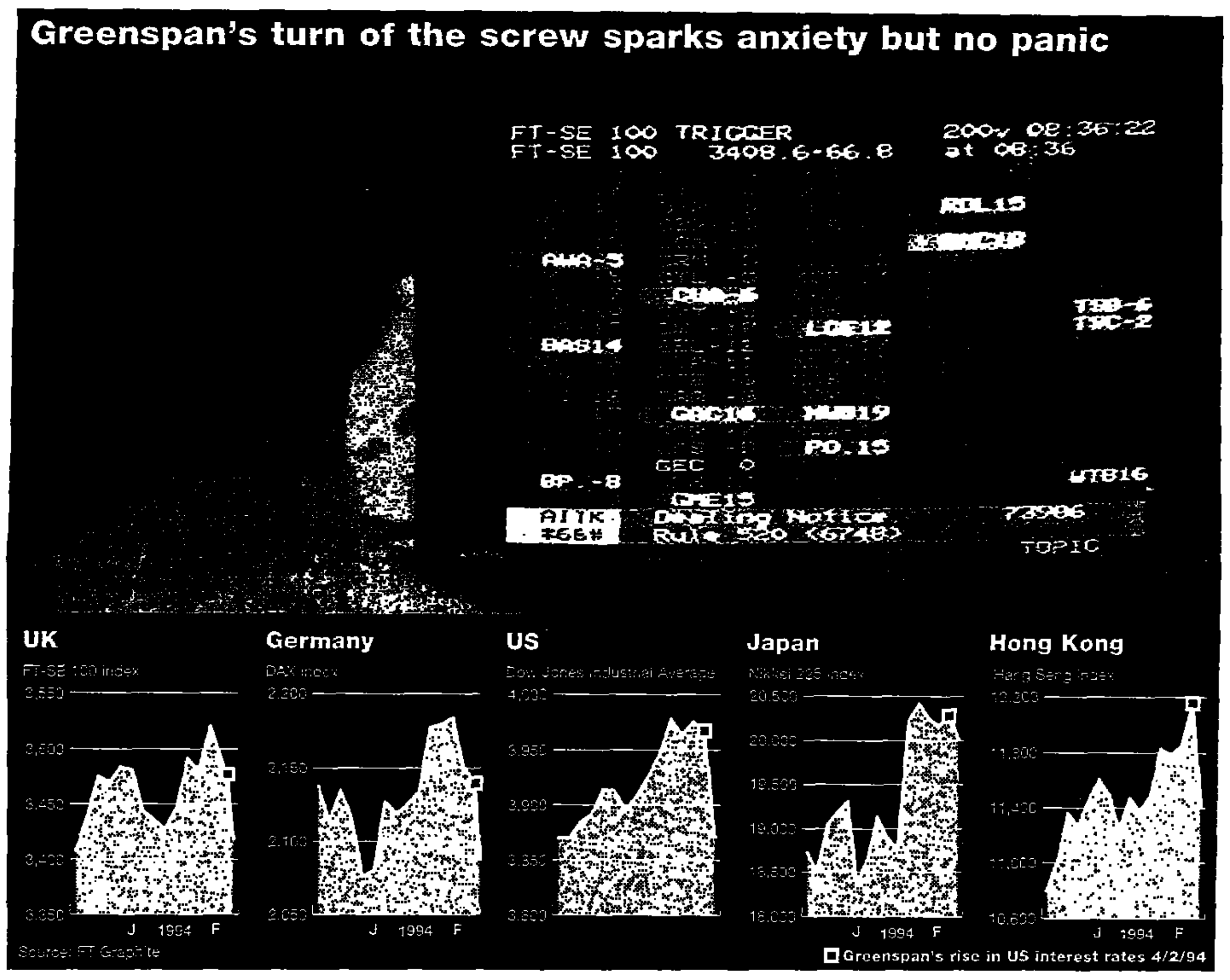
Six cabinet departments will see their budgets rise by more than the rate of inflation in 1995. But the Agriculture, Energy, Interior and State departments will face absolute cuts even before adjusting for inflation.

Clinton budget brings back rosy scenario, Page 6

Fears of substantial falls prove unfounded after calm restored on Wall Street

Markets stumble after US rate rise

By Philip Coggan in London and Patrick Harverson in New York



International stock markets stumbled yesterday as the aftershock of Friday's rise in short-term US interest rates reverberated round the world.

In London, the FT-SE 100 fell 93.4 points to 3,382.0 by midday before eventually closing 56.3 points down at 3,419.1, a drop of 1.6 per cent on the day. The broader FT-SE 350 index fell 28.8 points to 1,731.7.

Far Eastern stock markets were worst affected, with Hong Kong dropping 6.1 per cent and Thailand falling 6.9 per cent.

But fears of a substantial setback proved unfounded, with European equity markets rallying in the afternoon after a calm opening on Wall Street.

The mood in the markets indicated that yesterday's falls were a one-off correction. Attention will now focus in the short term on Far Eastern markets, with the Hong Kong market falling a further 3 per cent in indicative trading in London yesterday.

The markets were clearly jittery but traders said there was little sign of panic. Much of the fall represented a catch-up with the 96-point decline in the Dow Jones Average on Friday, much of which occurred after European markets had closed.

Analysts said there was still scope for European rates to fall, given low inflation and the relatively depressed European economies. In Frankfurt, the Dax fell 58.85 points, or 2.75 per cent, to 2,079.4. In Paris, the CAC Index dropped 42.11 points, or 1.81 per cent, to 2,287.06.

However, analysts pointed to a number of issues that might yet disturb the markets: the Federal Reserve might increase rates farther and faster than anticipated; US private investors might redeem some of their substantial holdings in mutual funds, causing managers to sell equities; or the Bundesbank might decide not to cut interest rates, in order to stop the D-Mark weakening against the US dollar.

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Mr Michael Hughes, managing director, BZW Global Economics and Strategy in London, said the latest changes marked an end to the "emerging markets bubble". He said that markets such as Hong Kong, which had been buoyed by speculative flows from US investors, might suffer particularly.

US financial markets were restored to relative calm yesterday after Friday's big losses. Although share prices fluctuated after the opening bell, by noon the stock market had settled down, with dealers reporting plenty of buying and selling activity but no clear direction. Later, a series of computerised buy programs pushed stocks, especially those of big companies such as IBM and Walt Disney firmly higher. By 1pm the Dow Jones Industrial Average was up 22.23 at 3,893.65.

The US Treasury market was also relatively quiet, although continued selling of long-term government securities, some of it linked to this week's auction of $11bn in new bonds, pushed the benchmark 30-year issue down about half a point, to where it yielded 6.387 per cent.

In London, the US dollar traded slightly higher against the D-Mark at DM1.7630 and slightly weaker against the yen at Y108.7050.

Sculley resigns from Spectrum

By Louise Kehoe in San Francisco

Mr John Sculley, who was ousted from Apple Computer last year, abruptly resigned yesterday as chairman and chief executive of Spectrum Information Technologies, the small wireless data communications technology company he joined in October.

"Certain aspects of Spectrum's business are not what they were represented to be when I joined the company," Mr Sculley said yesterday. In a lawsuit filed against Mr Peter Caserta, president of Spectrum, Mr Sculley said he was induced to join the company by "fraudulent misrepresentation and omissions regarding Spectrum's financial affairs, legal and regulatory problems and its technical and human resources".

Mr Caserta and other Spectrum officials did not immediately respond to phone calls.

Mr Sculley's move to Spectrum, 48 hours after he was forced to resign as Apple's chairman, shocked industry observers and his former colleagues at Apple. The small, little-known New York state company had a history of legal disputes with investors and competitors.

At the time, however, Mr Sculley expressed his excitement about the prospects for Spectrum and confidence in his decision. "I am tremendously impressed with Peter Caserta and his vision and leadership in building Spectrum as a foundation for expansive growth," he said.

Spectrum's stock price soared on news of Mr Sculley's appointment, gaining 46 per cent to trade at $11.50. Mr Sculley, who was granted extensive stock options when he joined Spectrum, stood to make an immediate paper profit of about $73m.

Yesterday, Spectrum's stock

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EU calls for end to siege of Sarajevo

By Lionel Barber in Brussels and Jurek Martin in Washington

The threat of air strikes against Serb forces encircling Sarajevo moved closer to reality last night after the European Union called for an immediate lifting of the siege of the Bosnian capital.

EU foreign ministers agreed that a decision on the feasibility of launching air strikes against the Serbs could be taken at a meeting of the Nato council as early as tomorrow.

Mr Douglas Hurd, UK foreign secretary, said Saturday's mortar attack on Sarajevo's outdoor market in which 68 people died marked a turning point. "This brings us near a decision in one way or another to a decision to use force."

Mr Alain Juppé, French foreign minister, said his government was losing patience. "If there is no agreement in Nato, then France will not live with the status quo."

President Bill Clinton said the US would back air strikes if it were demonstrated beyond all doubt that the Serbs were responsible for the attack.

In remarks in Houston, Texas, Mr Clinton said it was up to the UN to determine the blame. But he welcomed the request of Mr Boutros Boutros Ghali, the UN secretary-general, that it prepare for the use of air power to relieve the siege of Sarajevo and to protect peacekeeping and humanitarian operations.

Mr Juppé noted that the US attitude was crucial, saying: "The European Union cannot act alone. That is not enough."

The Nato session this week will consider a French plan to issue an ultimatum to the Serbian forces ringing Sarajevo to withdraw at least 30km and hand over all their heavy arms to UN troops, or face air strikes.

Other options, however, are being reviewed based on UN commanders' assessment of the risks of Serb retaliation against the UN peacekeepers and the danger of a halt to humanitarian aid.

A Nato decision in favour of force would require unanimity, overcoming earlier reservations expressed primarily by the UK

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Background, Page 2

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

BNL chief steps down temporarily

By Haig Simonian in Milan

The chairman of Italy's Banca Nazionale del Lavoro announced last night he was stepping down temporarily following unspecified criticisms by the Bank of Italy.

Mr Giampiero Cantoni's announcement after an evening board meeting shocked bankers and immediately prompted speculation about the bank's transactions.

BNL, which is Italy's largest commercial bank and is controlled by the Italian treasury, reached international notoriety in September 1989 when it was revealed that its Atlanta, Georgia, branch had been the source of huge unauthorised loans to Iraq. The "Atlanta affair", which is still being investigated, led to the replacement of BNL's then chairman, Mr Nerio Nesi, by Mr Cantoni.

There was no suggestion last night that Mr Cantoni's move was related to the Atlanta affair.

More recently, Italian banks have come into the spotlight in the country's two-year-old political corruption scandal, which has led to allegations of politically-influenced lending decisions or financial transactions on which kickbacks were paid to political parties.

Last week, Mr Roberto Mazzotta, chairman of Milan's big Cariplo savings bank, temporarily stepped down after being implicated in alleged financial misdemeanours involving the bank's pension fund. Mr Mazzotta, who was in London when magistrates issued an arrest warrant against him last week, gave himself up to magistrates in Milan yesterday.

Last night BNL said Mr Cantoni's decision was taken entirely "for personal reasons" and related to investigations into alleged infringements of land-use regulations in the Milan suburb in which he lived. Numerous local councillors and businessman are alleged to be involved in such infringements, which are being investigated by Milan magistrates.

"Such events are of a personal nature and absolutely unconnected in any way with the bank," said BNL.

BNL also announced Mr Cantoni had informed the bank that he intended to terminate his contract as chairman ahead of schedule in order "to dedicate himself to his business and university activities". Mr Cantoni is the founder of a Milan-based electro-engineering group and also has numerous links in the academic world.

BNL, which has been trying to put the Atlanta affair behind it, has reported a steady profits improvement since Mr Cantoni's arrival. However, the bank, which is still closely identified with the now discredited Socialist party, remains undercapitalised and has appeared increasingly isolated in the present government's privatisation drive.

Blanket coverage of his party convention infuriates opponents

Berlusconi wields television weapon

By Robert Graham in Rome

The launch of media magnate Silvio Berlusconi's campaign to head Italy's next government has provoked a long simmering debate over the politicised use of television.

The trigger for the debate was the blanket coverage given by Rete Quattro (Network Four), one of Mr Berlusconi's three national commercial channels, to the convention on Sunday of his newly formed political movement, Forza Italia (Come On Italy!).

Mr Berlusconi's Fininvest controls more than 80 per cent of Italian commercial television through a deal agreed by the main political parties in the late 1980s. Ironically, until his political ambitions became fully apparent last December, Mr Berlusconi's networks were considered freer of political interference than the three run by the RAI state corporation.

But on Sunday, Rete Quattro cancelled its advertised programmes to broadcast 50 minutes of live coverage of Mr Berlusconi's speech – his first important statement since announcing his entry into politics two weeks ago. This was followed by a special programme on the Forza Italia convention lasting almost 40 minutes. Later in the evening, a little edited version of the Berlusconi speech was replayed on Rete Quattro.

Mr Berlusconi's other channels gave less coverage, but this was largely because Mr Enrico Mentana, head of news at Network Five, has publicly distanced himself from attempts to fill his news programmes with biased coverage.

Supporters of Mr Berlusconi recognise the potential conflict of interest between the terms of his television concession and his political ambitions. However, they say that this is still outside the period of the formal election campaign. That starts on February 25 and thereafter all political propaganda is strictly controlled. Thus it seems the Berlusconi camp is determined to exploit its access to publicity to the maximum in the run up to February 25.

Indeed, Mr Berlusconi's opponents believe that one of the reasons behind his running for office is the future of his debt-burdened Fininvest empire. They say Mr Berlusconi fears a victory by the alliance headed by the former communist Party of the Democratic Left (PDS) in the March 27 general election would lead to an early renegotiation of commercial television franchises to the detriment of Fininvest. Nowhere else in Europe does one company have such a monopoly position in commercial television.

Yesterday, the Republicans, Greens and members of Reconstructed Communism all called for tighter government controls on the use of television air time. But it will be very difficult to impose effective sanctions on what has already happened and Mr Berlusconi has undoubtedly been the beneficiary of such television exposure. Opinion polls show he has the highest ratings of any potential leader.

Finland's loser is still a winner

Hugh Carnegy assesses the result of the presidential election run-off

Mrs Elizabeth Rehn, the defeated candidate in Finland's presidential election, discovered on Sunday that standing political convention on its head was not, after all, as easy as the opinion polls had suggested two weeks ago.

In the end the solid, if unspectacular, appeal of Mr Martti Ahtisaari, a United Nations diplomat and Social Democrat, overcame the flamboyant challenge by a margin of 53.9 per cent to 46.1. Her natural charm and easy intelligence at one point seemed set to make Mrs Rehn, the defence minister and a member of Finland's small Swedish-speaking minority, the country's first woman president.

But Mrs Rehn still achieved a remarkable result which may have further consequences for Finland's political establishment. She demonstrated that after three years of deep recession, when the economy has shrunk by almost 15 per cent, many Finns had become so disillusioned they could be persuaded to vote for a candidate who represented a 6 per cent ethnic minority traditionally viewed with some suspicion by the Finnish majority.

Her emergence in the first round of voting ahead of the candidates of the Centre and Conservative parties – the main parties in the coalition of Prime Minister Esko Aho – stunned government and opposition parties alike.

The Social Democrats are now favourites to win the general election in March 1995, but all the main parties expect an erosion of traditionally strong voter loyalty, making the outcome more unpredictable.

Meanwhile, Mr Ahtisaari may face an uncomfortably warm introduction to office when he takes over, for a six-year term, from President Mauno Koivisto on March 1. By then, Finland – along with fellow applicants Austria, Norway and Sweden – is supposed to complete negotiations on an accession accord with the European Union, clearing the way for a referendum to decide the issue later this year. But the deadline could well be missed as key questions remain unresolved.

On the Finnish side, the chief obstacle is Helsinki's demand that its agriculture be treated as a special Nordic category under the Common Agricultural Policy. This demand has been rejected by Brussels, which so far has conceded only that certain areas be afforded subsidies under the Union's regional policy structure.

"We have to have the principle of subsidies for all of Finnish agriculture or we are in big trouble," a senior Finnish diplomat said. Mr Ahtisaari, a strong supporter of Finnish entry to the EU, said on Sunday he would intervene in the negotiating process once in office "if need be" – an eventuality which could lead to tension with Mr Aho, whose rurally-based Centre party is split on joining the EU and cannot afford an accession deal which is unpopular with the Finnish farmers.

Mr Aho has already firmly rejected any question of altering the government's tight fiscal policies following Mr Ahtisaari's victory. The new president – who has little formal role in domestic policy – says he wants to persuade the government to adopt more interventionist policies to tackle unemployment, running at almost 20 per cent.

But with the economy set to return to modest growth this year, Mr Aho is anxious to curb a budget deficit of around 10 per cent of GDP. He insists that he will stick to his strategy of tight spending limits, market reforms and low interest rates.

Mr Martti Ahtisaari has a celebratory beer with his wife in Helsinki — Associated Press

Support is growing in Norway for EU entry

Norwegians are warming to membership of the European Union, according to an opinion poll published yesterday in the tabloid daily Dagbladet, writes Karen Fossli from Oslo.

The poll showed a three percentage point gain from January to 36 per cent in favour of Norway's application to join the EU. Opposition fell two points to 52 per cent.

Norway is currently negotiating accession to the EU alongside Sweden, Finland and Austria, but its electorate has voiced the fiercest resistance of the four countries' voters to the move. However, fears about developments in neighbouring Russia, where nationalists gained the largest vote in recent parliamentary elections, have swelled support for EU membership, say analysts. Those undecided about joining the Union dropped one percentage point to 12 per cent, but overall support for EU membership is the strongest in more than six months.

Sarajevo deaths revive debate over response

By Robert Mauthner, Diplomatic Editor

The latest atrocity in Sarajevo, in which 68 people were killed by a mortar bomb in a city-centre market, has revived the long-running debate over the appropriate response to such an outrage.

The United Nations has not yet been able to provide proof that the Bosnian Serbs, the widely presumed perpetrators of the tragedy, were responsible and US President Bill Clinton has pointed out that any retaliatory action should be based on such evidence.

But if it is established that the Bosnian Serbs were responsible, it is still a matter of disagreement what the international response should be. With any action by UN ground troops, other than in self-defence, ruled out in advance – not least because they are far too weak to undertake such a task – western governments appear to be swinging in favour of air strikes against Bosnian Serb artillery positions overlooking Sarajevo.

That would salve the consciences of western governments which have shown themselves powerless to stop the slaughter in Bosnia by peaceful means or verbal threats. It would also do something to restore the credibility of Nato, which has failed so far to carry out repeated threats to strike back at the Serbs if they did not end their "strangulation" of Sarajevo.

Possibly, air strikes could help to bring the Bosnian Serbs to their senses and persuade them to make a bigger effort to reach a peace settlement with the Moslems. But that is very much an outside chance. A more likely result would be a renewed offensive by the Serbs.

They would probably redeploy their artillery around the Bosnian capital, retaliate against the thousands of UN peace-keeping troops in Bosnia – mainly French, British, Canadian, Spanish and Dutch – and force their withdrawal from Bosnia, as many politicians are already demanding.

The inevitable result would be that UN aid convoys would be deprived of their military escorts and that their operations might have to be suspended altogether, threatening hundreds of thousands of Bosnians with starvation and death from cold.

A decision to launch air strikes is also likely to break the international consensus on Bosnia, since it does not look as if it would gain Russian support in the UN Security Council. Under great pressure from Russian nationalists, such as Mr Vladimir Zhirinovsky, President Boris Yeltsin would find it very difficult to endorse armed action against Russia's traditional Slav allies, such as Bosnia's Serbs.

Air strikes, as the new US defence secretary, Mr William Perry, has pointed out, could only be the first act. After the initial shock, it would still be necessary to reach a political settlement, for which prospects would not necessarily have been improved by international military intervention.

EU smiles more kindly on Ukraine

By Lionel Barber in Brussels

Foreign ministers of the European Union were last night poised to give the green light for talks on a more generous trade agreement with Ukraine to be concluded before next month's elections there.

The proposed agreement is viewed as a tool for strengthening the hands of moderates in the republic as they struggle to prevent the disintegration of the economy and the rise of nationalism.

During his visit to Washington last week, Mr Douglas Hurd, UK foreign secretary, was told by Mr William Perry, the new US defence secretary, that the Clinton administration viewed political instability in nuclear-armed Ukraine as the number one national security problem.

The proposed partnership and co-operation agreement between the EU and Ukraine would be broadly similar to one currently under negotiation with Russia. It suggests that the European Union is trying to pursue a less Russo-centric and more even-handed policy toward the two most important ex-Soviet republics.

EU officials said ministers were likely to give the European Commission the go-ahead for a new mandate for talks aimed at reaching agreement before the parliamentary elections on March 27.

Ukraine would like to include a commitment by the EU to review the partnership accord in 1998, with a view to joining a future free trade zone. It also wants more generous access for Ukrainian steel and aluminium imports, and an easing of restrictions on visas for businessmen.

Mr Anatoly Zlenko, Ukraine's foreign minister, is due in Brussels today. He is expected to submit Ukraine's formal application to join the Nato alliance's Partnership for Peace, and to hold talks with the Greek presidency on the trade accord.

UK less cool to military action

By Philip Stephens, Political Editor

The UK government last night backed away from its previous opposition to military action by the west to break the siege of Sarajevo.

As Mr John Major, the prime minister, summoned an emergency meeting of senior ministers for this morning, senior officials said he was committed to immediate and "muscular" action to end the bombardment of the Bosnian city.

But they repeated that British participation in air strikes against the Serb forces would depend on such action setting out to secure limited tactical objectives. The UK would also insist that western governments be guided in their response by the advice of UN commanders in Bosnia.

Officials said Mr Major remained convinced that generalised strategic bombing would not bring the conflict to an end and would threaten the humanitarian aid effort in the former Yugoslav province. In the past, Britain has also been the most forceful opponent of any action which might prompt the Serbs to retaliate against UN ground troops.

With some 2,500 troops in Bosnia, the prime minister has faced strong pressure from Conservative MPs not to take action which would threaten British forces. That pressure was reinforced yesterday by warnings from leading MPs of the risks of air strikes.

But Mr Major's officials acknowledged yesterday that the weekend massacre of civilians in Sarajevo had created "a new situation". They also suggested that the UK was now prepared to back armed efforts to demilitarise Sarajevo and to establish UN administration in the city.

This morning's meeting of ministers had been called to endorse the new position ahead of planned talks by Nato ministers and commanders to agree on the precise terms of military action.

Trade surplus for Russia

Russia recorded a $16bn foreign trade surplus in 1993, thanks to increases in energy and raw material exports and a sharp fall in imports thanks to a cut in the system of centralised purchases by the state, writes Leyla Boulton in Moscow.

Mr Oleg Davydov, foreign trade minister, was quoted by Itar-Tass news agency yesterday as saying that imports fell to $27bn, down 30 per cent from their 1992 level.

OECD calls Sweden to order

By Christopher Brown-Humes in Stockholm

Sweden was told bluntly yesterday it was living beyond its means and should take tougher measures to reform its welfare policies.

The pension and benefit systems should be overhauled, labour market laws eased, and new ways found to finance state debt, the Organisation for Economic Co-operation and Development said in its latest report.

"Given the limits to sound financing of welfare expenditure have already been surpassed, the country cannot simply continue as if nothing has happened," the organisation stressed.

Tough action was necessary to prevent a "rising tide of unemployment and budget deficits" from destroying conditions for stable economic growth. Unemployment, including people on training schemes, has risen to 13 per cent of the workforce, while the budget deficit at 14 per cent of gross domestic product is one of the highest among OECD members.

The organisation's report said unemployment and sickness benefit levels were still high by international standards, and the pension system needed to be put on a sounder financial footing. It called for measures to increase labour market flexibility, including reforms of employment protection legislation.

It also urged the government to signal its commitment to low inflation by introducing index-linked debt instruments.

The OECD expects the economy to start rebounding this year from its worst downturn since the 1930s. It forecasts GDP growth of 1.5 per cent in 1994 and 2.2 per cent in 1995, significantly less optimistic figures than government forecasts of 2.4 per cent and 2.9 per cent respectively.

The OECD believes the export-led recovery, which became evident last year following the sharp weakening of the krona, will continue over the next two years. But it is not so optimistic about prospects in the domestic sector, where it expects demand to stay weak.

Unemployment, excluding those on training schemes, is forecast to peak this year at 8.8 per cent of the workforce before easing next year to 8.4 per cent.

"Even with some likely recovery of business investment in response to lower interest rates, unemployment can be expected to rise further before beginning to fall slowly. Similarly, with revenue growth remaining subdued, progress in reducing the huge government deficit will also be slow," the OECD warned.

On the positive side, it said it expected inflation to remain low and the external balance to move into surplus.

OECD SWEDISH ECONOMIC FORECAST

	1993	1994	1995
Final domestic demand*	-5.3	-1.2	0.9
Gross domestic product*	-2.7	1.5	2.2
Current account balance (as % of GDP)	-0.1	1.3	2.7
Unemployment	8.2	8.8	8.4

* Percentage changes

Source: OECD

ILO reports severe job losses in Russia

By Frances Williams in Geneva

Russian industry has suffered severe job losses over the past three years according to an International Labour Organisation report released yesterday.

Mr Guy Standing, head of the ILO's central and eastern European team, said there had also been a big increase in the number of workers on unpaid leave or working short-time. This year could see even more jobs cut.

Nearly a third of the enterprises surveyed last year feared they could soon go bankrupt, under new laws soon to come into effect, mainly because of debts owed to other enterprises.

The real level of unemployment in Russia was already some 6-7 times the official rate of about 1.5 per cent, he added, warning that the growth of a large marginalised minority endangered economic and social reforms.

However, the findings were dismissed by Professor Richard Layard of the London School of Economics, who has been helping Russian economic reformers with labour problems. He said he had had "long conversations" with the ILO representative compiling the figures but remained convinced unemployment stood at 1.4 per cent.

The ILO has called for an international commission to co-ordinate assistance to Russia on labour market and social protection issues.

The 340 enterprises surveyed in 1993 cut employment on average by 8.8 per cent over the previous 12 months, similar to the decline shown in two previous surveys and bringing the cumulative fall since 1991 to well over 20 per cent. Nearly 40 per cent of factories said they could meet current low levels of output with fewer workers, almost a quarter fewer on average.

Five per cent of all workers were on unpaid leave in 1993 which, if extended to the economy as a whole, could involve more than 2.5m workers. Short-time working had become "pervasive", with 10 per cent of normal hours not being worked.

At a news conference in Geneva Mr Standing said the survey results contradicted claims by some Russian reformers that "shock therapy" had never been tried because industry had not shed workers. State enterprises had actually cut employment by more (13 per cent) than those in private hands last year, he noted.

The survey confirms the rapid pace of privatisation in Russia; about a third of enterprises remained in state hands in 1993, against 55 per cent in 1992, and most of these expected to change ownership in the near future.

NEWS IN BRIEF

Car sales show slight recovery

West European new car sales rose by 6.3 per cent to 1.029m in January compared with the same month in 1993, according to provisional figures from the European Automobile Manufacturers Association, writes Kevin Done.

The increase ends 12 successive monthly declines, but the scale of recovery remains modest, as sales in January 1993 were very depressed, having fallen 23 per cent from the previous year.

New car sales fell by an estimated 15.2 per cent in the whole of 1993 to 11.45m, the steepest annual decline in the post-war period. Most industry forecasts suggest a marginal 1-2 per cent recovery this year.

The increase in January was led by a significant rise in the UK, where new car registrations jumped by 20 per cent year-on-year, and by rises of 15 per cent in France and an estimated 28 per cent in Spain.

By contrast, sales declined further by 10 per cent in Italy and were estimated to have risen by only 2 per cent in Germany, the single largest market in Europe.

French fishermen delay strike vote

Some 3,000 fishermen from Brittany and the Vendée ports yesterday postponed for two days a decision on whether to end their strike action following last week's French and European aid measures, writes David Buchan from Paris.

The fishermen's move to reconsider their "strike" at another meeting tomorrow was followed by their colleagues in the Channel ports of Boulogne and Dieppe.

Venice, Mestre stay united

In a weekend referendum, almost 56 per cent of voters rejected a proposal to separate the industrial town of Mestre from the Venice administration, writes Robert Graham. It was the third abortive attempt since 1979 to force a divorce.

The outcome means that Mestre's problems of industrial pollution and urban regeneration can be treated as a coherent whole with those of Venice.

GNP up 2.5% in Norway

Norway's statistics bureau yesterday presented an upbeat prognosis of the domestic economy, with gross national product estimated to have risen by 2.5 per cent in 1993, writes Karen Fossli from Oslo.

It forecast gross domestic product would grow by 3 per cent in 1994, slowing to 2.6 per cent in 1995, with growth in the mainland economy (excluding oil and shipping) of 2.2 per cent this year, rising to 2.5 per cent in 1995.

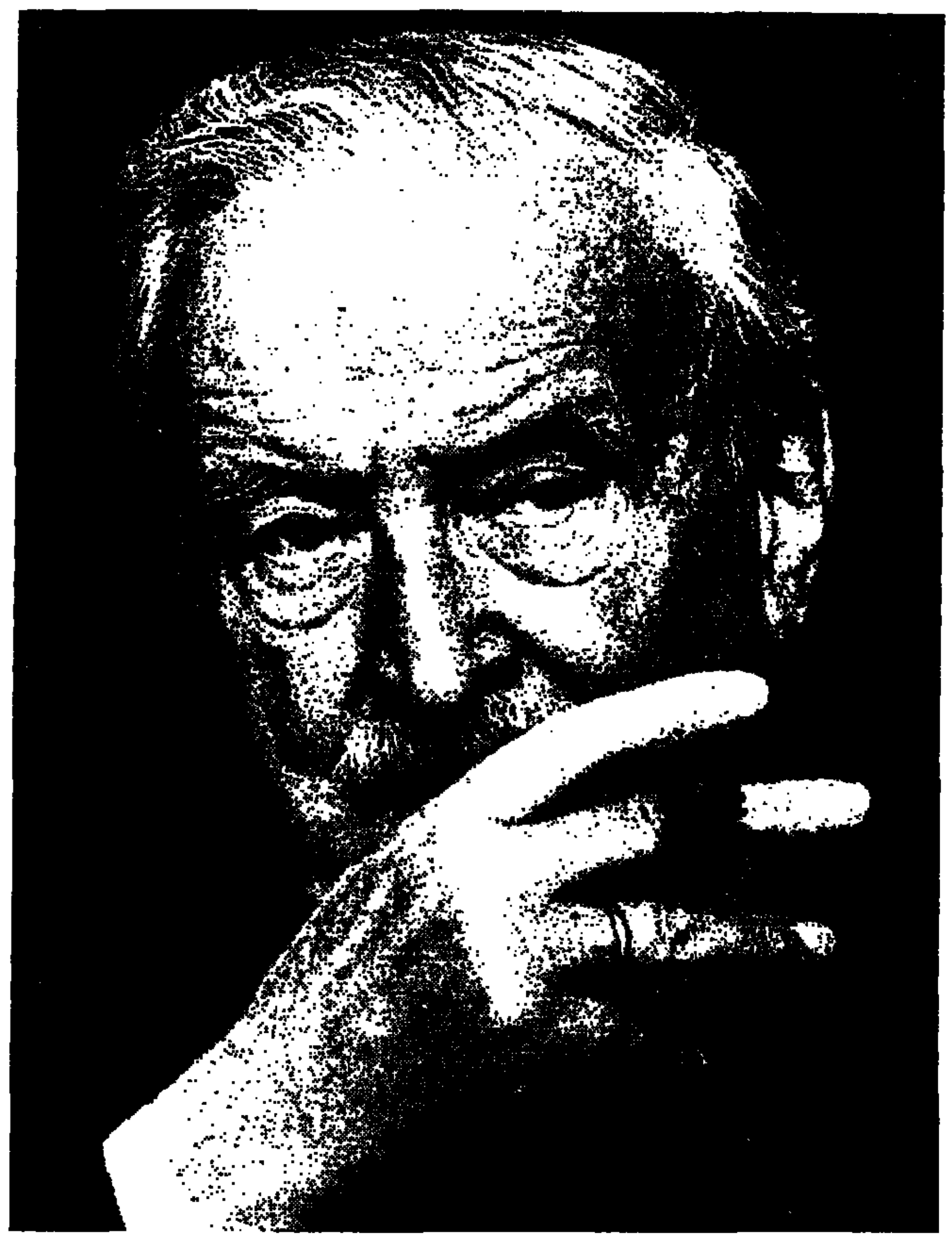
Private consumption is expected to increase by 3.1 per cent this year and next, against a rise of just 1.7 per cent in 1993. This increase will be helped by a forecast fall in interest rates.

FT journalist wins award

Edward Mortimer, foreign affairs editor of the Financial Times, has won the 1993 European Press Prize, jointly with Johann Georg Reismüller, editor of the Frankfurter Allgemeine Zeitung. The prize, awarded annually by the European Senate of Honour, a group of political and cultural figures from the European Union, is to be presented by Sir Edward Heath, the former British prime minister, in Antwerp on Saturday.

Death of banker who helped shape West Germany

The career of Hermann Josef Abs was one of the most brilliant of the century – but marred by his close links to the Third Reich



Associated Press

Abs: stood for many years at centre stage of corporate Germany as the head of Deutsche Bank

Hermann Josef Abs, who died at the weekend aged 92, personified both the triumphs and some of the problems of German business during the past 60 years.

During his post-war heyday as head of Deutsche Bank, the country's largest bank, Mr Abs won renown as the quintessential German banker, using his network of directorships and influence to play a significant role in rebuilding the West German economy. A man whose mild appearance belied his capacity for hard work and occasional ruthlessness, Mr Abs stood for many years at the centre of corporate Germany.

Aged only 36, he became a member of the Deutsche Bank management board in 1938 – a position in which he stayed throughout the second world war. He remained Deutsche Bank's honorary chairman up to his death. Not least because of his war-time role, he ranked among the most controversial bankers of the century – as well as one of the most outstanding.

Abs was the chairman of Deutsche Bank's management board between 1957 and 1967, and headed the supervisory board for a subsequent decade until 1976. The influence of Deutsche Bank and the country's other big universal banks on Germany's corporate and financial life has been modified since Abs ceased to play an active role in Deutsche Bank's affairs. In an increasingly integrated Europe, the banks' domination of the securities industry and their strong corporate links now look less pronounced than in the immediate post-war period.

Deutsche Bank none the less retains a pivotal position in the German economy – a tribute to the capacity of Abs and his contemporaries to rebuild the country's big banks after the war along the lines of traditions laid down when they were established in the 1870s.

One of Germany's post-war traditions is that Deutsche Bank has periodically attracted praise and vilification in roughly equal measure. Abs, once termed by David Rockefeller "the world's leading banker", was also labelled a "Richelieu": he was frequently exposed to criticism that he enjoyed too much power for Germany's own good. Whatever may be said against the traditional German system of universal banks – combining roles as lenders, traders of securities and long-term share owners – it has achieved an accomplished track record stretching back more than a century.

By allowing banks and industry to build up and extend long-term relationships, the system that Abs helped restore after the war allowed West Germany for a long time to overcome short-term economic vicissitudes with greater success than most of its European trading partners. That system is now being put to a crucial test as a result of the trials of German unification.

Virtually throughout his career, Abs followed a steeply rising path. He was born into a comfortably-off Catholic family in Bonn on October 15 1901. After a false start on a quickly abandoned university law course, he turned to banking. His apprenticeship took him to London, Paris, Amsterdam and the Americas.

In 1935, at the age of 34, he became a partner in a well-known Berlin private bank, Delbrück, Schickler & Co. Within three years he joined Deutsche Bank – at the time, a frontline institution, but not yet the biggest in Germany.

His more senior German colleagues recognised early Abs' capacity and judgment in international banking matters. One of his pre-war accomplishments was to help represent Germany at negotiations to freeze the banks' foreign debts. In view of his intelligence, sardonicism and Catholic background, Abs was regarded with hostility by the more rabid members of the Nazi party. He was never a party member. But throughout the war he remained close to some of the technocrats running parts of the Nazi economy. As a professional associate of Walter Funk, the Reichsbank president, he was a member until 1945 of the Reichsbank's advisory council.

He attracted praise and vilification in roughly equal measure, although he was once termed "the world's leading banker" by David Rockefeller

In spring 1945, as the war neared an end in Berlin, Abs left the German capital bound for Hamburg in a Karstadt department store delivery lorry crammed with Deutsche Bank files. After a short-lived appointment as an adviser to the British military government, he was imprisoned by the Americans for three months and was proposed in 1948 as the first head of the Bank Deutscher Länder, the nascent federal bank and the forerunner of the Bundesbank. He turned the job down – above all, it seems, because the US occupation authorities had made clear they would not have him.

Abs' ambivalent war-time activities remained controversial to his death. Unlike many Germans of his generation, Abs never claimed to have resisted Hitler. A man who was not imprisoned or hanged or shot by the Nazis cannot claim to have opposed Hitler, he once said. Deutsche Bank helped the Nazis confiscate Jewish property and assets in the late 1930s and 1940s as part of the Aryanisation laws. Abs had also been on the supervisory board of IG Farben, the conglomerate with a stake in the chemicals company that developed the Zyklon B gas used to kill millions of Jews in gas chambers.

Abs never claimed to have resisted Hitler. His bank helped the Nazis confiscate Jewish assets and he was on the board of IG Farben

After 1945, Abs helped some Jewish clients who had escaped the death camps to recover compensation from the Bonn government. But he also had to challenge in a German court assertions made in a 1970 book that he had participated in forced sales and expropriation of Jewish property. The court found none of the book's accusations valid.

In 1983, as a result of criticism of his pre-1945 activities, Abs suffered the ignominy of being put on a US government watch-list of undesirable aliens, and was officially barred from entering the US. However, this did not, according to the Deutsche Bank, prevent him from making periodic US trips.

Abs' real post-war career began in 1953 when, in a milestone marking West Germany's reintegration into the community of nations, he negotiated the London agreement restructuring Germany's foreign indebtedness.

In a step which freed Germany from the burden of reparations that had blemished the survival chances of the Weimar Republic, Germany's debts were written down and allowed to be repaid between 1953 and 1983 – an accord that became a model for many subsequent rescheduling agreements. Abs was also appointed head of Kreditanstalt für Wiederaufbau, the German reconstruction bank that channelled assistance from the Marshall Plan to West Germany's war-damaged economy.

Abs went on to head the southern German group of the three banks into which the allies had split Deutsche Bank. There he engineered the reunification of the three successors, becoming head of the reconstituted Deutsche Bank's executive board in 1957. During this time, Abs build up his close relationship with Konrad Adenauer, the first West German chancellor, in office between 1949 and 1963 – a fellow Rhinelander, sharing Abs' mordant wit and his taste for power. Abs was once asked whether the rumour was true that the "old man" had once asked him to become foreign minister. Abs' oblique reply was: "When Adenauer really wanted something, he didn't ask you – he told you."

Abs' was fluent in three languages and had a working knowledge of three more. He spoke the clipped, sometimes slightly archaic English of a country squire – gentle in tone, acid in content. His capacity for work was legendary. He claimed that, for weeks on end, he could work every day – habitually at a stand-up desk – from 8am until midnight.

On top of this, he found time to collect French Impressionists and to head committees running Beethoven's birthplace in Bonn and Goethe's in Frankfurt.

If Abs' voice was conservative, it was also that of a classic banking paternalist. One of his recurring themes was that business must serve the community. A much-repeated aphorism was that profits were no end in themselves; to conduct business for profit alone would be like living only to breathe. Society would tolerate private business only if it could prove that profits for the enterprise created benefits for society.

That may be dismissed as German corporatism, yet Abs was no particular friend of the German laws giving trade unions and workers' representatives a voice in management. He thought management methods needed to change periodically to give all employees an interest in their company.

As early as the 1950s he warned that currencies should not be kept strong mainly by high interest rates. He tried – and failed – to use his influence with the Bonn government in 1961 to 1969 to prevent the two 1960s D-Mark revaluations – steps that he viewed as harmful to Germany's export-oriented industry.

By 1970, mindful of the requirement for durable European monetary arrangements, he was talking of the need for a European central bank.

His experience of the Third Reich explained part of Abs' caution over expanding Deutsche Bank into foreign countries. He believed that co-operation with foreign banks, rather than outright takeovers, marked the most appropriate course.

As memories of war receded and a new generation took over the helm, Deutsche Bank's policy became more adventurous.

The most dramatic international move came at the end of 1989 when Deutsche Bank bought the UK's Morgan Grenfell for £950m, much increasing its clout in areas such as international mergers and acquisitions. The bank justified the move in the sort of understated terms much used by Abs: Deutsche Bank could learn much about investment banking from its new London subsidiary.

At the peak during the post-war period, Abs was a member of 24 supervisory boards in Germany – so many that a law was passed in 1965 limiting bankers' board appointments. The two-tier system of management and supervisory board was and is the foundation upon which bank influence over industrial and other concerns is based.

In the 1960s, Abs teamed up with Professor Karl Schiller, the Social Democratic economics minister, to use his prestige and contacts to devise a network of warranties which saved the Krupp concern from almost certain bankruptcy. He also helped to engineer the transaction in the 1970s by which Kuwait bought a stake in Daimler-Benz from the Flick family when it lost interest in controlling the star performer of German industry. In the post-Abs era even some Deutsche Bank directors have recognised that the traditional system may be a bit too cosy, forecasting that, eventually, the banks will run down their shareholdings in industry.

Deutsche Bank executives still, however, are thought to hold around 140 seats on supervisory boards around the country.

During his great days Abs was probably as popular as it is possible for any banker to be. Towards the end of his life, he did not, however, hold either politicians or the great majority of his compatriots in great regard. He believed the exaggerated demand for social welfare in West Germany's comfortable, consensus society was a severe hindrance to economic dynamism.

As West Germany approached the challenge of unification, Abs, in crisply-delivered interviews at the end of the 1980s, liked to berate the West Germans' "inflexibility" and voice doubt about their capacity for hard work. "They want to work less and have more free time" was one of his complaints.

In his latter years, as the world hummed around him, Abs plainly did not enjoy having an inordinate amount of time on his hands. If he was faintly disdainful of modern Germans, and sometimes appeared slightly too pleased with himself, there was (to adapt a saying of Churchill) some excuse. He had a considerable amount to be pleased about.

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Peace hopes raised by Arafat and Peres

By Julian Ozanne in Jerusalem

Expectations of a crucial advance in peace talks between Israel and the Palestine Liberation Organisation were raised last night as Mr Shimon Peres, Israeli foreign minister, and Mr Yassir Arafat, PLO chairman, prepared to meet in Cairo.

Throughout the day the meeting was in doubt as Mr Peres met senior Israeli army officers who have expressed their reservations aboutsecurity concessions to the PLO.

An extra layer of uncertainty was provided by Mr Arafat, who earlier insisted he would not go to Cairo unless Mr Peres had the authority to sign a final agreement on all the outstanding security issues.

But Mr Saeed Kamal, PLO ambassador to Cairo, said Mr Arafat would arrive in Cairo last night because Mr Peres was coming "with instructions from the Israeli Prime Minister Yitzhak (Rabin) to put an end to procrastination and delay".

Mr Arafat was expected first to meet President Hosni Mubarak of Egypt who exerted pressure on the PLO leader to attend the talks.

For the past week, Mr Arafat has reiterated he is ready to sign a draft agreement on security as negotiated during a meeting with Mr Peres in Davos, Switzerland, last week.

The agreement covered the outstanding obstacles between the two sides on long-delayed implementation of Palestinian self-rule in the Gaza Strip and West Bank area of Jericho, including the most sensitive issues of control over border crossings and security for Jewish settlers.

But since the Peres-Arafat meeting, objections have been raised against the draft agreement by senior officials of the Israeli army and Mr Rabin.

While denying he is at loggerheads with the Israeli army, Mr Peres has been publicly stressing the need for Israel to understand the Palestinian perception of the problems and assuage deep-rooted Palestinian suspicions.

Mr Ahmed Tibi, political adviser to Mr Arafat in the Israeli-occupied Palestinian territories, said after meeting Mr Peres on Sunday that an agreement would be finalised in Cairo.

Mr Kamal said yesterday: "We hope to be able to break the vicious cycle which the negotiations have been stuck in, so that things will stabilise over the next few weeks to formulate the clauses of the agreement one by one."

Israeli officials cautioned that the Cairo talks might not produce a signed agreement unless there was considerable flexibility on Mr Arafat's part to meet the objections put forward by the army, particularly over control on border crossings and roads between Israel and the settlements in Gaza.

Mr Rabin has recently insisted he will only formally sign a comprehensive agreement with Mr Arafat to begin Israeli withdrawal from Gaza-Jericho. According to Mr Rabin, the comprehensive agreement must include all outstanding issues between the two sides, including security, the responsibility of the Palestinian police force, and the future economic relations between the two economies.

Officials said that if things went well in Cairo, Mr Arafat and Mr Peres might initial an agreement on security issues, but a formal Rabin-Arafat signing would have to wait a further two to three weeks for economic and other issues to be finalised in Paris and Taba, Egypt.

Arafat (left) and Peres: talks in Cairo could mark a breakthrough in the long haul to peace

● *Israeli jets yesterday bombed south Lebanon twice in retaliation for attacks by pro-Iranian guerrillas which left three Israeli soldiers dead and four wounded.*

The attack on Israeli forces in Israel's self-declared security zone is the bloodiest such raid in six months and marks the continual escalation of violence in south Lebanon.

Attacks sour South African talks

Talks between the South African government, the African National Congress and right-wing groups demanding constitutional change continued last night, against a background of sabotage attacks against railways, power lines and ANC offices, writes Patti Waldmeir in Johannesburg.

Police said over 40 attacks have been carried out in ultra-conservative areas of the Orange Free State and western Transvaal since late December. Eugene Terre'blanche, the white supremacist leader, has warned of more explosions.

Prospects for the talks looked bleak last night, with the Zulu-based Inkatha Freedom party central committee rejecting a compromise proposed by the ANC and government last week. Inkatha said it did not offer sufficient fiscal and regional autonomy to warrant its participation in the elections.

Keidanren chief

The Keidanren, Japan's leading business federation, yesterday confirmed that its next chairman would be Mr Shoichiro Toyoda, chairman of the car group Toyota, writes William Dawkins in Tokyo.

Mr Toyoda, 68, who has spent nearly all his life in the family car company, is a vigorous opponent of US demands for numerically-measured increases in market shares of imported goods. The car industry is one of the most sensitive parts of the present US-Japan trade talks. He will succeed the current chairman, Mr Gaishi Hiraiwa, 79, at the Keidanren's annual general meeting in late May.

Jordan's relief

Jordan has won slight relief on its external debts to Japan following agreement between the two sides which will add $14.1m (£9.4m) of principal and interest to $87.3m in debts to Japan which have already been rescheduled, writes James Whittington in Amman.

This will not affect most of Jordan's $1.3bn mainly official debt to Japan, for which repayment will be discussed in the next round talks with the Paris Club of official creditors in late March.

The terms are the same as for the rescheduled $87.3m of interest and principal agreed in June 1992. There is a grace period of nine years for official loans and seven years for commercial loans backed by the Japanese government.

Jordan's total external debt is around $6.8bn, or 140 per cent of gross domestic product, after $673m of repayments on principal and interest in 1993.

African obsequies

French and African leaders yesterday bade farewell to President Félix Houphouet-Boigny of Ivory Coast, whose death marks the eclipse of France's special relationship with its former colonies, Reuter reports from Yamoussoukro. Huge crowds gathered at the basilica in Yamoussoukro where the requiem mass began two hours late. French President François Mitterrand arrived late, as did many of the African leaders who came to pay their last respects.

Uganda 'demob'

Uganda's President Yoweri Museveni has said his cash-strapped government will push ahead with a demobilisation exercise started last year and retire some 10,000 more soldiers this year, Reuter reports from Kampala.

The aim is to halve Uganda's 80,000-strong army by the end of this year. Pushed by western donors, who underwrite annual aid of up to $800m to the east African country, Uganda retired 20,000 soldiers at the end of 1992.

Manila loan

The World Bank has extended financing worth $211m for an electric-power project in the central Philippines, José Galang reports from Manila.

The project involves the construction of a 200MW geothermal power plant on Leyte island, and laying underground electric cables connecting the facility to Cebu Island near by.

The project is estimated to cost $458.9m, with the World Bank providing nearly half the financing. Another $174.7m is expected to be raised from private-sector investors and financing institutions under build-own-transfer arrangements with the Philippine government.

Central Asian republics look west for investment

By Steve LeVine in Alma-Ata

Leaders of central Asian republics have been sending signals that they are serious about establishing a stable, friendly environment for economic development. The International Monetary Fund has put its name behind two of the republics, issuing credit to Kazakhstan and Kyrgyzstan, and is negotiating with Uzbekistan.

An increasing number of investors have been bypassing Russia, Ukraine and the Baltic states for what they perceive to be better opportunities in central Asia, especially in Kazakhstan. This shift has occurred in tandem with Russia's demise as the economic crossroads and clearing house for the 14 ex-Soviet republics.

Uzbekistan's recent and sudden conversion to free market policies has been greeted with interest, and some scepticism, since President Islam Karimov has watered down or failed to implement previous reforms.

The Uzbek programme, announced on January 23 by presidential decree, promises for the first time to auction off state enterprises publicly; foreigners may bid. The decree also enacts a five-year tax holiday for manufacturers established under more than 50 per cent foreign ownership, and phases out import duties in July 1995.

Since the break-up of the Soviet Union two years ago, virtually no western-style privatisation has taken place in Uzbekistan, which is rich in gold and produces a huge cotton crop. Uzbekistan has taken the route of "collectivisation", the transfer of enterprises to their employees in fixed-price shares.

Analysts are taking this policy announcement more seriously because of the trend in other central Asian republics. Mr Karimov is watching his regional rival, Kazakhstan, outpacing Uzbekistan's economic progress, while his own republic has been mired in chaos.

The Kazakh president, Mr Nursultan Nazarbayev, last week announced an economic reform programme that goes even further then Uzbekistan's. It freed prices on consumer goods on January 1, set a 1994 budget deficit target of 4 per cent of GNP, and froze state salaries, a risky step in the conservative republic.

Kazakhstan is attracting attention primarily because of its tremendous deposits of oil and natural gas. But Mr Nazarbayev has also embarked on what ranks as among the ex-Soviet Union's most ambitious privatisation programmes.

Last year, Philip Morris became the first private owner of a large Kazakhstan enterprise, paying $313m (£208.6m) for a big cigarette factory and tobacco farms in the capital, Alma-Ata. Now, the government has issued a list of 38 more state-owned enterprises, some employing up to 40,000 people, for auctioning to the foreign bidders.

The list includes some long-shots, such as Alma-Ata's central market, but for the first time it allows foreigners to buy metals facilities such as an aluminium plant in the northern city of Pavlodar and a lead and zinc plant in Taldy-Korgan. Later, the government says, it will auction about 7,500 state enterprises to Kazakh citizens under a coupon system.

The privatisation programme has impressed westerners who have witnessed the frustration of trying to get started in Russia. "If you are trying to privatise an enterprise in Russia, a different ministry is passing a new law every day saying you can't do it. In Kazakhstan, you know who to deal with, and they are behind privatisation at the top," said a western business consultant in Alm-Ata. "It's very centralised."

In Kyrgyzstan, President Asghar Akayev, frustrated by parliamentary and bureaucratic conservatives, recently obtained more authority to pursue his reformist programme. Kyrgyz voters endorsed Mr Akayev with a 96 per cent approval rating in a national referendum, and he has said he intends to use the result to push ahead with structural reforms and privatisation.

Even if the reforms are only partially put into practice, they reflect a greater acknowledgment in the region that the Soviet days are over.

Media groups hit problems in drive to print in India

By Stefan Wagstyl in New Delhi

Plans by foreign media groups to invest in India have run into political controversy and legal argument. The Financial Times and Time magazine of the US have submitted investment proposals to the Indian government, in the belief economic liberalisation will soon extend to newspaper and magazine publishing.

The FT plans to publish a business daily in partnership with the Ananda Bazar Patrika Group, a Calcutta-based publishing house, and Time is proposing printing an Indian edition in collaboration with Time and Living Media, publisher of India Today, India's leading news magazine. Other publications which have considered printing in India include the International Herald Tribune.

Foreign publishers and their Indian partners believe the Indian market offers big opportunities. But before they can invest, they must persuade the government to lift a ban on foreign newspapers, magazines and news agencies imposed in 1956 by Mr Jawarhalal Nehru, India's first premier, who believed the country needed protecting from foreign influences.

With satellite TV beaming everything from BBC News to Madonna concerts into millions of homes, many Indians say Mr Nehru's restrictions look increasingly obsolete. Reuters, the UK news agency, has been given permission to distribute a limited service in India. A recent survey by Business India magazine showed 65 per cent of those polled supported the entry of foreign newspapers.

English-language newspapers account for only about 60 of India's 350 dailies, but dominate the reading of the country's political and business elite. The foreign groups' plans have provoked sharp differences of opinion in the newspaper industry. Last month, the All-India Newspaper Editors' Conference warned the foreign press's "invasion" would be an "infringement of the fundamental rights and constitutional guarantees provided to Indian citizens".

The Press Council, the industry's watchdog, stands by a demand it made in 1992 that government decisions on amending Mr Nehru's ban should be postponed for "three to five years". But some editors have spoken out in favour of foreign investment, including Mr H.K. Dua, editor of the Hindustan Times daily, who told a media conference last week: "We must pull ourselves up instead of bemoaning the entry of others into the market."

Foreign publishers see big opportunities, but first they must persuade the government to lift a long-standing ban

The overseas groups' plans have some strong supporters among politicians, notably Mr Manmohan Singh, finance minister, who believes India will benefit from greater access to overseas news. But others are more cautious. Mr Pran Chopra, a former newspaper editor who favours the entry of foreign publications, says: "Many politicians fear that [by opening the market] they might cause a political storm for little benefit." Mr Chopra believes Premier P.V. Narasimha Rao will take time to up his mind, but the spread of satellite TV will make the ban on printed publications meaningless.

Much of the controversy centres on the Financial Times. The FT would have a 50.1 per cent stake in the venture, but only two out of 500 staff would be sent from the FT. Mr David Bell, chief executive of the FT, says: "The paper will be Indian-edited and Indian-managed." Ananda Bazar, a family-owned group run by Mr Aveek Sarkar, would merge into the venture its existing business paper, Business Standard.

The new paper would compete with the Economic Times, the market leader, controlled by the Delhi-based Jain family, whose flagship is the Times of India, the premier English-language daily.

The FT and the Times of India group are involved in court battles over rights to the Financial Times name. The FT registered the name with the trade marks registrar in 1987. But the Times of India group registered the same name two years later with the registrar of newspapers for India, a separate official body. The Times of India then started publishing papers sporadically with the name Financial Times.

The FT has challenged the Times of India's right to publish a pink paper called the Financial Times. Individuals have filed cases in the high courts of Delhi, Allahabad and Bangalore challenging the foreign papers' rights to register their names in India. Lawyers for the FT have claimed in the Delhi High Court that these individuals are "a front" for the Times of India group. Mr Bell and Mr Ashok Jain, head of the Times of India group, declined to comment on the dispute. It will probably have to go to the Supreme Court.

Paul Abrahams on attempts to control a big part of rising healthcare costs

Japan tackles growing drugs bill

Japan's ministry of health and welfare has been afflicted by the global epidemic of rising healthcare costs. The problem this makes for budgets is particularly acute in Japan which has an ageing population and falling tax receipts. Whereas in 1990 only 11.7 per cent of the population was over 65 – the lowest proportion among the world's seven richest countries – by 2025 that figure will have more than doubled to nearly 24 per cent.

This ageing population and medical inflation running at about 7 per cent a year would be less serious if the Japanese economy was growing. But the exchequer is suffering from wilting tax receipts during the worst recession since the second world war.

"We don't know exactly what the ministry is going to do," says Ms Teruko Onoda, drugs analyst at Merrill Lynch, says. "But whatever it is will have to be drastic."

Japan's health and welfare ministry, like those elsewhere, has found the drugs bill a tempting target for savings. Medicines represent a particularly large target in Japan. Although pharmaceuticals account for 1.5 per cent of gross national product, they represent about 30 per cent of healthcare spending, far more than in western countries.

The ministry has adopted a two-prong strategy against the drugs bill, attacking both prices and demand. The ministry's long-term aim is to reduce spending on medicines from *about 28 per cent of the* Y24,340bn (£146bn) health bill to only 20 per cent, according to the Japan Pharmaceutical Manufacturers Association.

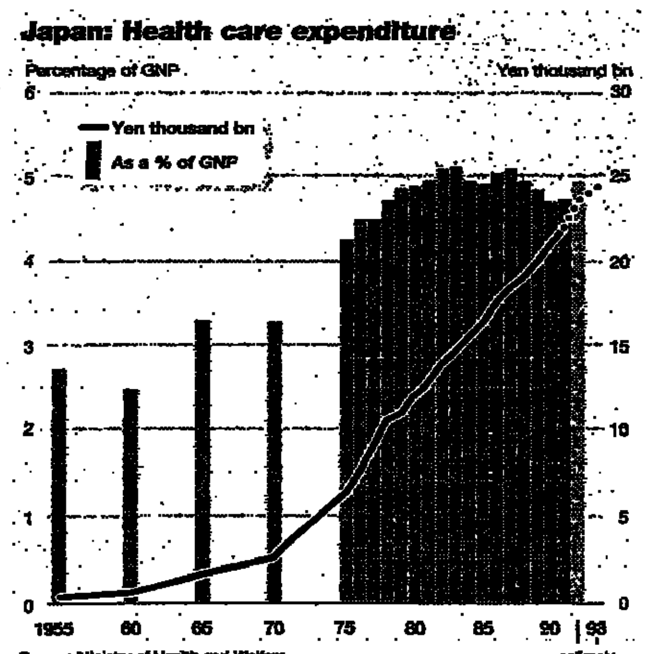
The ministry is continuing its policy of cutting prices every two years. But this year it has added "special" cuts for fast-growing products. Initial fears that the price of some drugs could be cut by as much as 30 per cent have not been realised, but these new cuts have nonetheless drawn an angry response from the industry.

Mr Jacques Racloz, president of Sandoz Yakuhin, the subsidiary of the Swiss group, said: "The special price cuts were an emotional reaction, triggered by politics. It's worrying because they're not based on the existing system and appears arbitrary. There's also a danger they could represent a precedent – each time a drug becomes successful, it could be hammered."

Under the every-other-year price cutting scheme introduced two years ago, drugs judged innovative would be allowed a premium over existing therapies of up to 30 per cent, while less innovative but still novel compounds would receive premiums of between 1.5 per cent and 4.5 per cent.

The industry was dismayed to discover the ministry's criteria were so strict that over the last decade only four or five drugs would have qualified for the full premium.

"We have to have more flexibility," said Mr Bryan Wright, Japan representative of the US Pharmaceutical Manufacturers Association. "There needs to be something between 30 per cent and the lower band. Otherwise there's little incentive to develop innovative products."



While the price cuts and controls on new products are designed to have an immediate impact, in the longer term, the ministry is trying to control demand for medicines. So far, the main methods, which have not proved particularly successful, are:

● Separating the prescribing and dispensing of medicines. A substantial proportion of hospitals' income comes through dispensing. Doctors negotiate discounts from wholesalers, but are reimbursed by the government at the full price. The more doctors prescribe, the higher their income. Between a third and a quarter of doctors' earnings depend on prescribing.

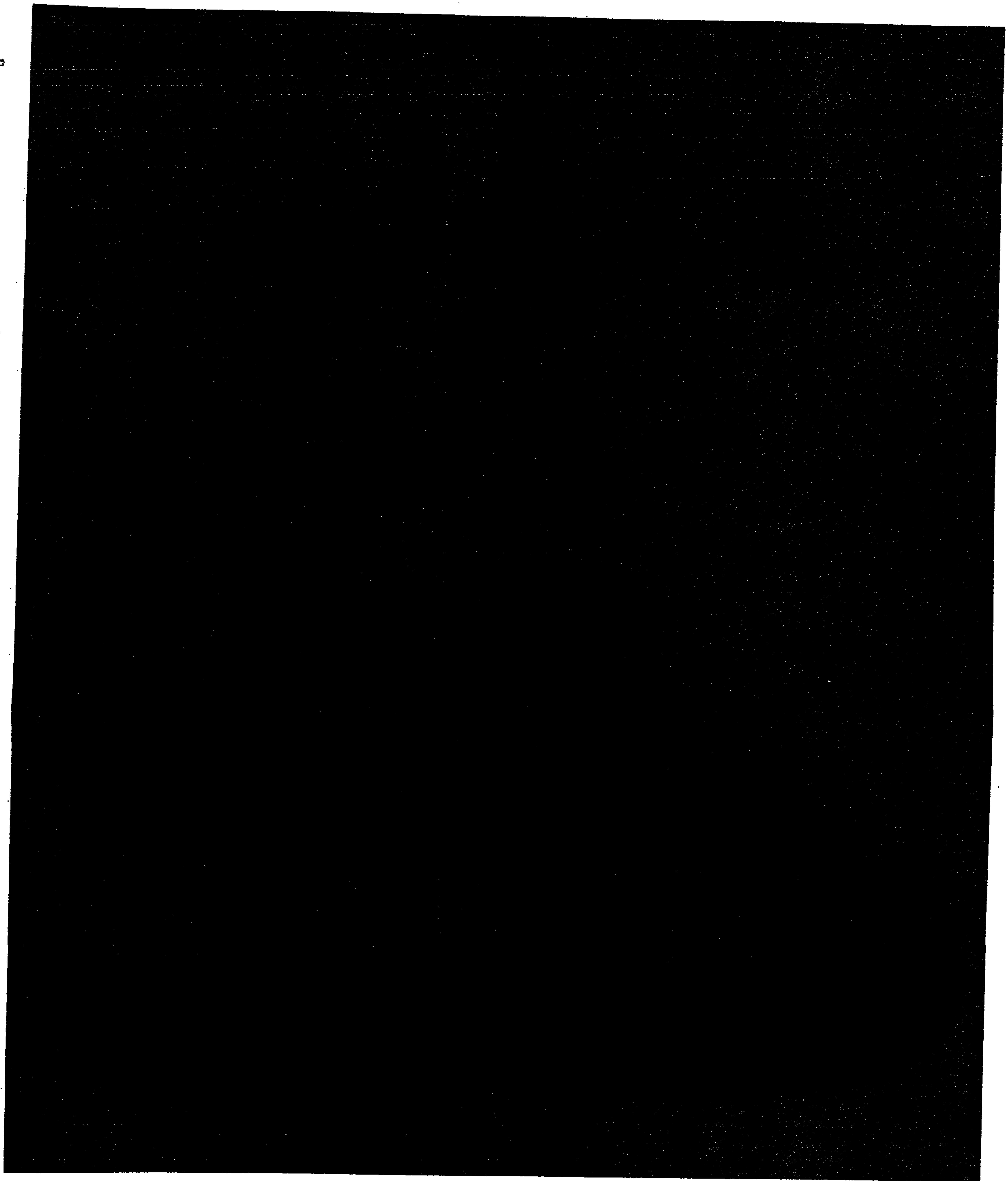
Discounts ending up in doctors' pockets may account for an astonishing Y1,000bn a year, according to one analyst. So far the ministry's efforts have made little impression. Only 15 per cent of hospitals have separated prescribing from dispensing of medicines and many of these are cheating by setting up new pharmacies next door.

● Fixed price contracts for chronic care of the elderly. Hospitals are paid a fixed amount for treating certain conditions. The hospitals' margins therefore depend on keeping down costs. Some analysts believe this could lead to a large increase in the prescribing of cheap generic, non-patented, drugs. However, only 5 per cent of hospitals have adopted this system.

● Switching responsibility for negotiating discounts from the drugs manufacturers to the wholesalers. The theory is that wholesalers will be less inclined than pharmaceuticals companies to discount products. This should reduce doctors' margins on prescribing and so reduce volumes. The Japan Pharmaceutical Manufacturers Association estimates discounts narrowed from 23 per cent to 18 per cent, but have now risen back to about 20 per cent.

Even though the demand-side controls are yet to be fully effective, the ministry's efforts appear to be bearing fruit. By the middle of last year, data from IMS Japan, the market research group, showed growth of the drugs market over a 12-month moving period was only 3 per cent.

Nevertheless, the ministry's continuing battle to control spending is likely to intensify, slowing the growth of the Japanese drugs market further. For manufacturers the consequent pain may be hard to bear. Most analysts are predicting rationalisation.



Clinton budget brings back rosy scenario

It is fiscally responsible but the spending projections are implausibly optimistic, writes **Michael Prowse**

President Bill Clinton delivered a fiscally responsible budget yesterday, but the administration's projections of future spending trends look implausibly optimistic.

In an attempt to create room for increased investment in areas critical for American competitiveness, such as education and training, Mr Clinton is proposing a "hard freeze" on discretionary spending.

He envisages total discretionary spending rising from $550.1bn in fiscal 1994 to $554.4bn (£369.6bn) in fiscal 1999, in cash terms less than 1 per cent. And this is not to be achieved only through the continuing shrinkage of the defence budget, which declines 13 per cent over this period.

Mr Clinton plans a total increase in non-defence discretionary spending of only 9.9 per cent in cash terms over five years – a substantial cut in real terms given that inflation of 3.0-3.5 per cent a year is expected over this period. Few industrial countries have achieved this kind of restraint on domestic programmes. And there is little in US history to suggest it will be feasible: between 1989 and 1994, such spending rose 45 per cent in cash terms.

The proposed freeze is the only way Mr Clinton can achieve the deficit reduction he promised while also modestly increasing public investment. Spending on mandatory or entitlement programmes – such as healthcare and public-sector pensions – will continue to rise rapidly, crowding out other expenditure. Mandatory spending will rise 4.4 per cent in the coming year, against less than 1 per cent for non-defence discretionary spending. Over the next five years mandatory spending is projected to rise from $730.4bn to $1,020.5bn, or 40 per cent.

It is optimism on spending that permits Mr Clinton to project sharp declines in federal borrowing. In spite of last year's tax increases on the wealthy, total receipts as a percentage of gross domestic product are projected to decline slightly over the next five years – from 18.8 per cent of GDP to 18.6 per cent. Spending, however, is expected to fall from 22.3 per cent of GDP to 20.9 per cent.

> The stress on fiscal discipline in Mr Clinton's budget is ostensibly balanced by a commitment to higher public investment as a means of boosting growth and improving the prospects of disadvantaged groups. But both elements of the equation are exaggerated

The deficit is expected to decline from $234.5bn (3.5 per cent of GDP) in fiscal 1994 to a trough of $173.1bn in fiscal 1996 (2.3 per cent of GDP). It then begins to creep higher, exceeding $200bn by fiscal 1999.

None of these figures allows for the impact of this year's main legislative priority – reform of healthcare, a sector that accounts for 14 per cent of GDP. Mr Clinton's plan would extend health cover to uninsured Americans (15 per cent of the population) and guarantee a generous package of benefits for everyone.

According to White House estimates these additional costs would be largely offset by parallel measures to reduce the rate of growth of spending – such as the creation of large purchasing co-operatives and caps on growth in private-sector insurance premiums.

The administration estimates that if Mr Clinton's health plan were implemented, mandatory spending would grow by 45 per cent over five years, a little faster than the 40 per cent projected without reform. With the plan, mandatory spending would rise from 11 per cent of GDP today to 12 per cent in fiscal 1999; without it, mandatory spending would rise to 11.7 per cent.

The White House figures again look optimistic. But any calculations are hypothetical because it appears unlikely that Mr Clinton's health plan will be enacted in its original form. Congress seems likely to favour less ambitious reforms which scale back the level of guaranteed health benefits but which also impose fewer direct controls on spending growth.

The stress on fiscal discipline in Mr Clinton's budget is ostensibly balanced by a commitment to higher public investment as a means of boosting growth and improving the prospects of disadvantaged groups. But both elements of the equation are exaggerated. The proposed axing of more than 100 programmes sounds impressive, but it will save only about $3bn in a $1,500bn budget. Congress, in any case, is unlikely to approve many of the cuts.

The investment agenda includes planned increases in spending on "workforce security" (improved access to skill training and job search), education (including an expansion of the pre-school Head Start programme), commercial technology, physical infrastructure and the environment.

Few will argue with this shift of priorities, but the scale of the investment effort falls far short of Mr Clinton's promises during the presidential election campaign. The president is asking Congress to approve an additional $13.7bn in spending this year on his main investment proposals. That represents less than 1 per cent of the budget. It is a change only at the margin.

Mr Clinton's claim to have dispensed with Republican "smoke and mirrors" in his economic forecast seems only partly justified. The White House is projecting steady economic growth of 2.5-3.0 per cent for the rest of the decade, reducing the jobless rate to 5.5 per cent, even though this would represent one of the longest unbroken business upswings on record. It assumes the Federal Reserve will allow consumer price inflation to creep higher – from 2.8 per cent last year to nearly 3.5 per cent by 1997.

The greatest optimism is reserved for interest rates. The White House expects three-month rates to remain 3.5 per cent or less throughout this year and, more surprising still, to average less than 4.5 per cent every year until 1999. The yield on 10-year bonds is assumed never to rise above 6 per cent. This is indeed a rosy scenario.

THE BUDGET'S ECONOMIC ASSUMPTIONS (CALENDAR YEARS)

	Actual 1992	Projections 1993	1994	1995	1996	1997	1998	1999
Gross Domestic Product * (Constant 1987 dollars)	3.9	2.3	3.0	2.7	2.7	2.6	2.6	2.5
Consumer Price Index *	3.1	2.8	3.0	3.2	3.3	3.4	3.4	3.4
Unemployment rate % ‡	7.3	6.7	6.4	6.0	5.8	5.6	5.5	5.5
Interest rates %								
91-day Treasury bills	3.5	3.0	3.4	3.8	4.1	4.4	4.4	4.4
10-year Treasury notes	7.0	5.9	5.8	5.8	5.8	5.8	5.8	5.8

* Per cent change, fourth quarter over fourth quarter ‡ Fourth quarter level; Pre-February 1994 basis

Defence outlay continues to lag behind inflation

By George Graham in Washington

US defence spending will rise by just 1.3 per cent to $252.2bn (£170bn) next year, the 10th straight year in which the US military budget has risen by less that the inflation rate.

The 1995 fiscal year budget is the first for which President Bill Clinton's Defence Department team has done more than tinker with existing military spending plans, and marks the implementation of the Bottom Up Review of force structure conducted last year under Mr Les Aspin, who handed over the defence secretary's job last week to Mr William Perry.

Mr Clinton's five-year plan now projects an absolute cut in defence spending to $243.4bn in 1996 and $240.2bn in 1997. Nominal increases in the next two years are to leave defence spending down to just 2.8 per cent of gross domestic product in 1999.

"It hasn't been this small since before World War II, when people were walking around training with broomsticks on their shoulders," a senior Pentagon official said.

Departmental budget planners have tried to walk a fine line between those on their left, who complain that they are still wasting money on Cold War-style defences, and those on their right, who fear the US military will be gutted by spending cuts.

The 1995 budget provides for a 4.9 per cent increase in the money available for operations and maintenance, as Pentagon officials are very eager to preserve the readiness of the smaller forces they will have at their disposal by allowing them to maintain high operating tempos. The increase in readiness spending is particularly marked for the army, where the average distance driven by each tank in a year, for example, will rise from 620 to 800 miles.

Military construction, down from $6.0bn to $5.0bn, and procurement, down by $1.2bn to $43.3bn, are to bear the brunt of spending cuts.

The budget preserves money for the development of the next generation of major weapon systems, such as the F-22 advanced tactical fighter to be introduced in the late-1990s, the RAH-66 Comanche armed reconnaissance helicopter and the navy's new attack submarine, for which the first order will be placed in 1998.

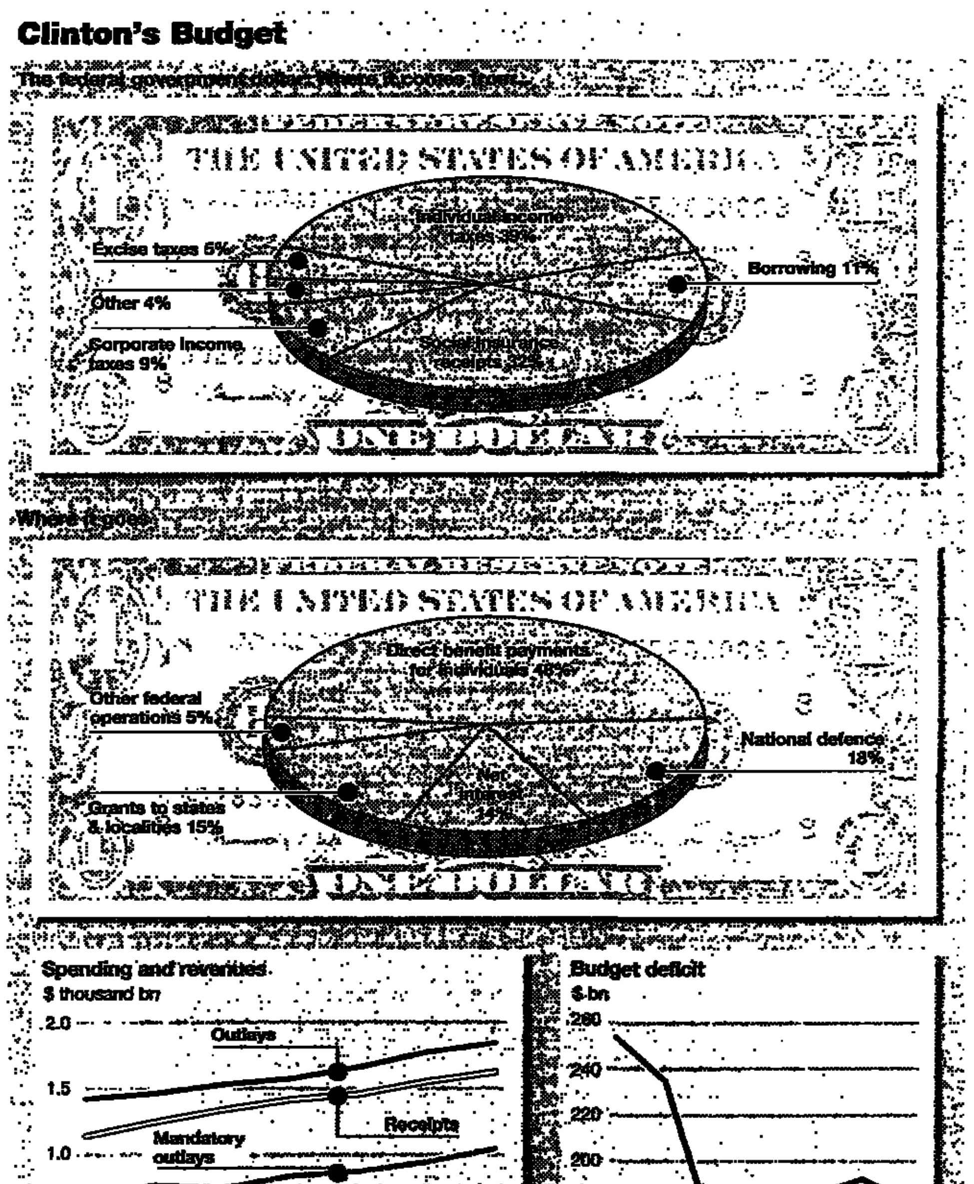
But it cancels the navy's A/F-X fighter development programme, as well as the remaining SH-60B, SH-60F and HH-60H helicopters it had planned to buy, ends purchases of the air force's F-16 fighter and cancels the Landsat satellite.

In all, the Department will buy just 127 aircraft in 1995, including 42 trainers and 60 utility helicopters, compared with 943 in 1985, the peak year of the Reagan defence build-up. It will buy six ships, compared with 29, no tanks, compared with 720, and 18 strategic missiles, compared with 48.

"We can live with that because we are living off the inventories we built up during the Cold War. At some point, we will have to start procuring again," a senior Pentagon official said.

By 1995, the Department expects to have moved to 13 active fighter wings and 11 active aircraft-carriers with one in reserve, as planned in the Bottom Up Review, but it will have to cut another two army divisions to reach the planned total of 10 and drop another 27 surface ships to reach the review's target of 346. Total active military manpower is projected to fall to 1.52m by the end of 1995, and to drop another 4.8 per cent to 1.45m at the end of 1999. Reserve strength will drop by 7.4 per cent over that period to 906,000, with the Pentagon's civilian workforce falling by 9 per cent to 794,000.

Research funding for the strategic defence initiative, now mainly shifted from the strategic defences envisioned in the Reagan era to more limited defences against theatre ballistic missiles, will rise again to a total of $3.25bn in 1995, having fallen to $2.7bn in the current fiscal year. Funding for the five years 1995-1999, however, has been trimmed to $17bn.



Triple drive to create private sector jobs

By Nancy Dunne in Washington

The Clinton administration's theme, which runs through its 1995 budget, was written by President George Bush on his ill-fated mission to Japan in 1992: "Jobs, jobs, jobs."

Budget items which won increases were those believed most efficient in creating private sector jobs. About half of the nearly 2m US jobs created last year were in high-paying managerial and professional occupations.

To increase that rate, the administration has proposed a three-pronged workforce investment strategy.

- To help young job-seekers, it is requesting $300m (£202m) for an expansion of a model *school-to-work system*, designed to provide students with work experience integrated with classroom training.
- The administration also proposes spending $1.2bn in 1995 on the jobs corps, a comprehensive residential training and education programme for impoverished youth. It has also requested $100.5m to launch six new centres, increasing capacity to 62,500, and $30m to repair existing centres.
- A new $1.5bn jobs investment initiative would help the unemployed retrain and find new work at a network of upgraded, one-stop career centres, costing $250m. The current worker adjustment programmes are "rigid and ineffective", the budget says. The administration will consolidate, expand and improve these schemes in a Workforce Security programme, projected to serve 1.3m unemployed people per year.

The administration stresses jobs related to exports, which earn an average 20 per cent *more than other jobs* – hence its emphasis on trade and trade finance. The US Export-Import Bank will get $134m less next year for direct loans, but its budget for new loan guarantees rises from $10.1bn to $12.25bn.

The Small Business Administration is expected to guarantee up to $7bn in credits to compensate for cuts in lending by the commercial banks.

Despite recent criticism that the administration is creating an industrial policy by subsidising research and development, the Commerce Department's budget for advanced technology grants and manufacturing extension centres is more than doubling to $451m. There is $3.2bn (a 6 per cent increase) for science and engineering research, $67m for new technology investment, $451m (a 4 per cent increase) for health research, and $2.1bn for the redesigned space station.

Nine agencies this year propose to spend over $2bn for research and development in *manufacturing technologies*, a $159m (9 per cent) increase over last year. The High Performance Computing and Communications project, which funds programmes for more powerful computers, networks and software, will get $1.2bn.

Pledge to poorest nations

By George Graham

The US has pledged $100m (£67m) in its 1995 budget for the Enhanced Structural Adjustment Facility, the International Monetary Fund's subsidised loan account to help the poorest nations reform their economies.

If the pledge survives the budget's passage through Congress, it would leave Germany as the only main industrialised country not to have contributed to the new ESAF, which the IMF hopes to launch this spring in place of the almost exhausted fund it launched in 1987.

The US contribution will be paid to the subsidy account which allows the IMF to cut the interest rate it charges on ESAF loans to the minimal level of 0.5 per cent. The money will be paid up front, so it will be valued as a contribution of more than SDR100m (£108m), roughly the level that other countries had been asking for as a fair US share.

The overall US budget for international affairs will remain stagnant at $20.9bn, with aid to the states of the former Soviet Union roughly halved to $900m.

The administration's proposals to cut humanitarian assistance spending by $77m to $1.63bn, including a $37m cut in refugee aid, could run into criticism in Congress.

The aid budget proposes full payment of this year's $1.25bn slice of the US pledge to the International Development Association, the World Bank subsidised loan facility similar to the IMF's ESAF.

It also provides $87m to start clearing US arrears in payments to the multilateral development banks, including $20m of arrears to the African Development Fund.

The administration also proposes to restore the $70m US contribution to the capital of the European Bank for Reconstruction and Development, which was struck out of last year's budget amid the furore over the bank's lavish London headquarters.

LA quake 'set to cost insurers about $2.5bn'

By Richard Waters in New York

The Los Angeles earthquake last month is set to cost the insurance industry $2.5bn (£1.69bn), the third largest insured losses after hurricanes Andrew and Hugo, according to an insurance trade association estimate yesterday.

The estimate of losses, from Property Claims Services, is at the high end of other, less well-informed estimates in recent days. These have put the cost to insurers at anything from $1bn to $3bn.

The association's figures are compiled from information supplied by 30 insurance companies and an analysis of the association's database, which carries details of the level of property insurance cover in the affected area.

They are generally regarded in the insurance world as the most accurate picture available of the final cost of the earthquake.

According to the association, about a third of home-owners in the area, and a slightly higher proportion of businesses, have earthquake coverage.

The high cost of such insurance, and the large deductibles born by people with cover, has discouraged many from buying insurance.

The industry is anticipating about 230,000 claims as a result of the earthquake, many of them from causes other than direct shock damage, including damage by fire, explosion and broken glass.

If the association's estimate proves accurate, and if Congress approves the proposed $8.6bn federal relief plan for the area, then total outside help for California will reach about $11bn.

The rest of the earthquake's cost will be born by property owners or taxpayers in California.

California Governor Pete Wilson said last month that the total cost of the quake could be anywhere between $15bn and $30bn.

Hurricane Andrew, in southern Florida and the Gulf of Mexico in 1992, cost insurers $15.5bn; Hugo cost $4.2bn.

Talbott's Israel hurdle

Jurek Martin on a foreign policy hopeful's prospects

Mr Strobe Talbott may face tough questioning on his attitudes towards Israel as well as over his policy stance towards Russia when he appears before the Senate foreign relations committee today to be grilled about his qualifications to be deputy secretary of state.

There is no suggestion yet that his nomination is any jeopardy, but Mr Talbott felt the need last week to hold a special meeting with representatives of leading Jewish organisations to assure them of his good intentions.

Mr Mike McCurry, State Department spokesman, also addressed the question, noting that, as a journalist with Time magazine, Mr Talbott was "a provocative and interesting commentator", but adding that "he now has a responsibility to fulfil policies that represent the policies of this administration" and that he would not have been named deputy to Mr Warren Christopher if this were not the case.

So far only one obscure Republican congressman has called for him to be rejected and most of the criticism against him has come from conservative and strongly Zionist groups. Yesterday Mr Yossi Beilin, the Israeli deputy foreign minister, said these views did not square with his own government's.

Though Mr Talbott is not an expert in the Middle East, two columns, written nine years apart, have excited criticism. In 1981 he wrote that Israel was "well on its way to becoming not just a dubious asset but a downright liability to American security interests". In 1990, he wrote that the Likud party's claim to the occupied territories "does indeed have something in common" with Iraq's claim to Kuwait.

In one sense Mr Talbott is hoist on the petard of his profession as an author with a long paper trail. The writings of two previous nominees for high government office, Ms Lani Guinier and Mr Morton Halperin, proposed for the justice and defence departments respectively, offered their opponents voluminous, if often deliberately misconstrued, evidence of allegedly extreme or unpatriotic views.

Jewish sensitivities are also a constant in Washington.

One of the reasons offered, without much substantiation, by Mr Bobby Ray Inman for not taking the defence secretaryship were attacks on him by Mr William Safire, the New York Times columnist, brought about, according to Mr Inman, because of Mr Safire's suspicions he might be anti-Israeli.

Questions of anti-semitism have been given more recent point by the controversy involving Mr Louis Farrakhan's Nation of Islam, mainstream black political and religious leaders and the Anti-Defamation League of B'Nai Brith, the leading Jewish organisation.

Last week, Dr Farrakhan sacked an aide for making anti-semitic remarks, then promptly aligned himself with the same sentiments.

It had appeared that Mr Talbott, serving as ambassador-at-large to the former Soviet Union, was most vulnerable to criticism on the Russian front. Having first urged maximum reform effort, he interpreted December's Russian elections as proving a need for "less shock, more therapy", only to recant this in the light of President Bill Clinton's commitment in Moscow last month to "more reform and more therapy".

However, Mr Talbott clearly enjoys the confidence of President Clinton, whom he has known since their Oxford days 25 years ago, and of Mr Christopher, who has said it is time people of the president's generation rose to the top of foreign policy making.

HAPPY FAMILY: Costan Rican poll victor Figueres celebrates with wife and children Picture: Reuter

The narrow victor in Costa Rica's presidential elections said free market policies had impoverished the country. He vowed to tackle poverty and improve health and education services writes David Scanlan in San José.

In one of the closest presidential elections in the country's history, Mr José María Figueres, 39, of the left-of-centre National Liberation party, defeated Mr Miguel Angel Rodriguez, 54, of the ruling Social Christian Unity party on Sunday. The winner polled 49.7 per cent, just 2.2 percentage points ahead of his rival, according to preliminary official results.

"We've had enough of the neo-liberal policies that have impoverished Costa Rica," Mr Figueres told thousands of jubilant supporters at party headquarters in San José. He argued that the economic adjustment policies of outgoing President Rafael Angel Calderón had improved the economy, but at great social cost.

"We will govern for those who have had less and need more," said Mr Figueres, a former agriculture minister and graduate of Harvard University and West Point military academy in the US. The president-elect, who is the son of the popular ex-president José "Pepe" Figueres, will take office on May 8.

Mr Figueres said during the campaign he wanted to renegotiate agreements with the International Monetary Fund and the World Bank. But political analysts see little room for manoeuvre.

French group in Chinese water deal

Lyonnaise des Eaux-Dumez, the French industrial and utility group, and its Hong Kong-based partner, New World Development, have won a FFr1bn (£114m) contract to build a drinking water treatment plant in Guangzhou, according to a spokesman for the French company, John Ridding writes from Paris.

Sino-French, a joint venture between Lyonnaise des Eaux-Dumez and New World of China, will build, finance and operate the plant for 30 years. On completion, which is expected in 1996, the plant is expected to supply about 1m cubic metres of drinking water a day and provide about a quarter of the city's water needs.

The contract is the first significant commercial agreement for a French company since France and China moved to *improve relations last month.* France said in January that it would cease the sale of arms to Taiwan, as it had been urged by Beijing.

Thomson to update Australian radar

Thomson Radar Australia Corporation, part of France's Thomson-CSF electronics and defence group, yesterday clinched a A$176m (£84m) contract with Australia's Civil Aviation Authority to rebuild the nation's ageing air traffic control system, Nikki Tait reports from Sydney.

Venezuelan power contract awarded

A consortium of Westinghouse Electric and Raytheon Engineers & Constructors has won a $70m contract to supply Venezuela's first independent power project, Andrew Baxter writes from London.

The contract was awarded by Genevapca, a wholly-owned subsidiary of La Electricidad de Caracas. The 300MW power plant, which has a total value of $135m, will produce electricity and process steam for the Cardon refinery on the Paraguana peninsula.

Clinton seeks renewed hi-tech export curbs

By Nancy Dunne in Washington

The administration of President Bill Clinton this week is expected to ask Congress for a broad reauthorisation of its power to impose unilateral controls on the export of technology, equipment and products applicable for military purposes.

This move comes in spite of long-term pressure by US business lobbyists against unilateral controls, which they say fail to stop "rogue nations" from acquiring technology and equipment commonly available from other countries.

The Clinton administration has acted swiftly to decrease the level of computer technology requiring export licences. However, according to a new report by the influential private-sector Council on Competitiveness, "a lingering cold war *mentality*" *still produces* export controls which cost the US economy billions of dollars a year.

"If past practices continue, some analysts predict that the US could lose $30bn [£20bn] and 600,000 jobs a year by the mid 1990s," the council says.

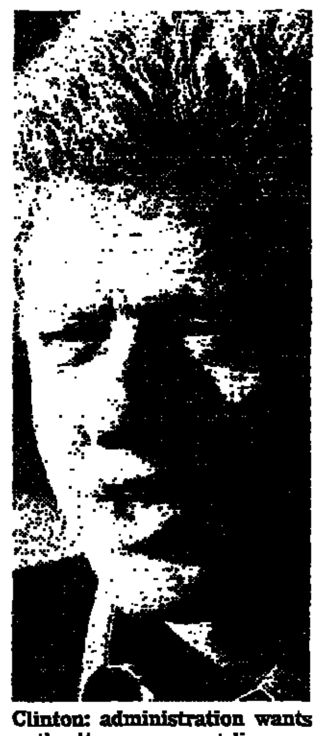
The council report, Economic Security: the Dollars$ and Sense of US Foreign Policy, also raises concerns about the imminent demise of the Paris-based Co-ordinating Committee for Multilateral Export Controls and the failure by the US and its allies to create a successor agency.

"Despite industry's concerns, State Department negotiators have indicated a great deal of uncertainty as to the ability of the US to achieve a new multilateral export regime, creating the spectre of a new entity that would actually leave the US with additional unilateral controls," the report says.

After failing to write new export control legislation last year, the administration is likely to ask Congress for a bill which gives the US State and Defence Departments review authority in export licensing provisions. Business groups have been urging Congress to concentrate authority in the Commerce Department, to limit the number of technologies and products to be controls, and to publish the countries for which controls are deemed necessary.

The council analysed the results of eight foreign policy decisions resulting in controls, which cost the US more than $6bn in exports and 120,000 jobs. In one case, the US became the only country to impose controls of exports of on-highway tractors to Iran, thus costing US business the sale of up to 10,000 tractors for each of the next five years.

"The export restrictions are having little impact on Iran, because US commercial on-highway tractors are readily replaceable, and are being replaced by European and Japanese tractors," it says.



Clinton: administration wants authority over export licences

World Bank urges Asian telecoms liberalisation

By Andrew Adonis

Radical liberalisation of national telecommunications regimes is essential to meet Asia's demand for improved communications, according to a World Bank discussion paper.

The paper calls for the break-up of existing monopolies and the licensing of competing telecommunications providers as "probably the best way" to meet the region's growing demand for telecoms services.

The discussion paper, written by Mr Peter Smith, a senior telecoms specialist at the World Bank, and Mr Gregory Staple, a consultant to the Bank, comes at a critical juncture in the development of policies for improving telecommunications in the Asia/Pacific region.

While the region's more advanced countries – notably Japan, Australia and New Zealand – have liberalised telecommunications rapidly in the past decade, the region's less developed countries have moved more cautiously.

Asia's low-income countries are estimated to have barely 25m phone lines for 2.8bn people. Programmes for expansion are a priority, with governments increasingly prepared to look beyond their state monopoly operator.

Several countries – notably Thailand – have pioneered "build, operate, transfer" projects, under which private operators, including overseas companies, are granted concessions to provide infrastrucure and services in specific areas.

Privatisation is also under consideration, notably in India, which could lead to one of the region's largest flotations in recent years.

Even China, which has until now resisted pressure from overseas operators willing to build networks, is considering licensing new entrants in a bid to meet its goal of providing 40m new lines by 2000.

The World Bank study describes pragmatic policies of that type as important but "at best a partial solution". "More important than this 'top down' approach are likely to be various 'bottom up' approaches, funded by a mix of public and private capital, involving new concessions to independent telephone companies."

It argues that radical liberalisation alone will enable low-income countries in the region to generate the estimated $90bn-$120bn needed for advanced switching and transmission facilities to underpin network modernisation.

The study, which is not official World Bank policy, also calls for improved regulatory regimes to allow inter-connection between new and existing networks and competition between operators.

OECD EXPORT CREDIT RATES

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for February 15 to March 14 1994 (January 15 - February 14 1994 in brackets).

D-Mark	6.24 (6.17)
Ecu	6.33 (6.56)
French franc	6.37 (6.50)
Guilder	
up to 5 years	6.00 (6.10)
5 to 8.5 years	6.30 (6.35)
more than 8.5 years	7.05 (7.00)
Italian lira	8.21 (8.58)
Yen	3.30 (3.30)
Peseta	8.80 (9.08)
Sterling	6.72 (6.71)
Swiss franc	5.24 (5.25)
US dollar for credits	
up to 5 years	5.48 (5.54)
5 to 8.5 years	6.09 (6.15)
more than 8.5 years	6.43 (6.48)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies. For the period from January 15 to July 14 1994, the SDR-based rate will be 5.95 per cent. It replaces the previous rate of 6.85 per cent. The SDR-based rate will again be subject to change on July 15 1994.

Barter proves best for business, Burma style

Victor Mallet on conducting trade with one of the world's most closed economies

Few business activities are as challenging as trading with Burma. The country is short of foreign exchange, is burdened with foreign debt payment arrears of about $1bn, and has an official exchange rate that values the local currency, the kyat, at 20 times its black market rate.

As if this were not enough, the military junta is regarded with such distaste by western governments because of its dismal human rights record that Burma – one of the world's poorest countries – has largely been denied foreign aid. Corruption is widespread.

The Burmese economy, however, has grown by about 5 or 6 per cent a year for the past couple of years; the generals have cautiously liberalised the economy, encouraged border trade with China, welcomed more tourists and courted foreign investors from Thailand, Singapore and further afield.

Barter, or countertrade, is playing an important role in this economic revival. Swapping products allows traders to bypass problems caused by the overvalued official kyat, and many Burmese and foreign import-export companies have found themselves reluctantly involved in barter deals.

While some government ministries have access to foreign exchange, most private Burmese companies are allowed to pay for imports only with money earned from their exports.

Furthermore, private traders must spend a quarter of their export earnings on imports deemed to be essential – such as palm oil – or convert a fifth of their dollars into kyat at the official rate, akin to throwing money down the drain.

"The trading side of things is not in accordance with normal business principles," said one Burmese partner in a Rangoon trading company. "There is no way you could make any money out of exporting anything from Burma officially. And the person exporting to Burma has to be prepared to receive strange products and sell them."

One of the most prominent barter arrangements in Burma is the deal between the ministry of forestry and Turnkey Contracts and Consultancy, a Singapore company, for construction of the recently opened International Business Centre, Rangoon's first modern office block.

Diplomats in Rangoon say the multi-million dollar prestige project, in which companies such as Sumitomo and Texaco have already provisionally booked space, was paid for in Burmese logs.

> The system is riddled with dangers, both for Burmese traders and for foreign exporters without export credit guarantees

Asked whether he was paid in cash or trees, Mr Bernard Kwek, managing director of the Singapore company, said "a bit of each" and described the deal as "pretty complicated".

But most barter trade involves Burma's 5,000 or so small import-export companies. Many of them have not been established long enough to amass foreign exchange reserves that would allow them to use a letter of credit to pay for imports.

In a typical deal a foreign company – often owned by one of the importer's Gino-Burmese relatives living in Hong Kong, Singapore or Bangkok – will send electronic goods, cement, machinery or pharmaceuticals to Burma on a "consignment" basis – in other words on credit.

The importer then sells the goods for kyat on the free market, uses the kyat to buy local products - rice, beans, pulses, teak or fish – and then exports these commodities, either directly to the foreign party or elsewhere to raise dollars to pay for the original imports.

Intense competition to buy limited quantities of Burmese commodities for export has pushed the prices of some Burmese products above their value on the international market. This problem (another way of looking at it is to say that the free-market kyat is undervalued) threatens the profits of both parties to a barter deal.

Another complication is that different imports to Burma command different effective exchange rates because some products are more scarce than others. A dollar's worth of palm oil, for instance, sells for about 90 kyat, whereas a dollar's worth of medical drugs can earn 180 kyat.

Traders have to know which products are being smuggled in from China and which imports are being bought by government enterprises with kyat at the official rate; in both cases the cost of the goods would undercut imports brought in legally by private companies for barter deals.

Burmese businessmen complain that barter trade allows foreigners to make money on both ends of a deal. A Taiwanese company, say, can sell trucks at a profit to Burma, receive payment in logs, and then sell the logs for an additional profit in Taiwan. "They are smarter businessmen," complained one Burmese trader.

But foreigners can lose money as well. Mr Pat Ferguson, a Scottish trader who has done business in Burma since the army crushed a pro-democracy uprising in 1988, claimed he had not been paid for a shipment of milk powder and palm oil sent to Burma on credit.

He has protested to the Burmese trade ministry and the British embassy in Rangoon. "I'm down $219,000," he said.

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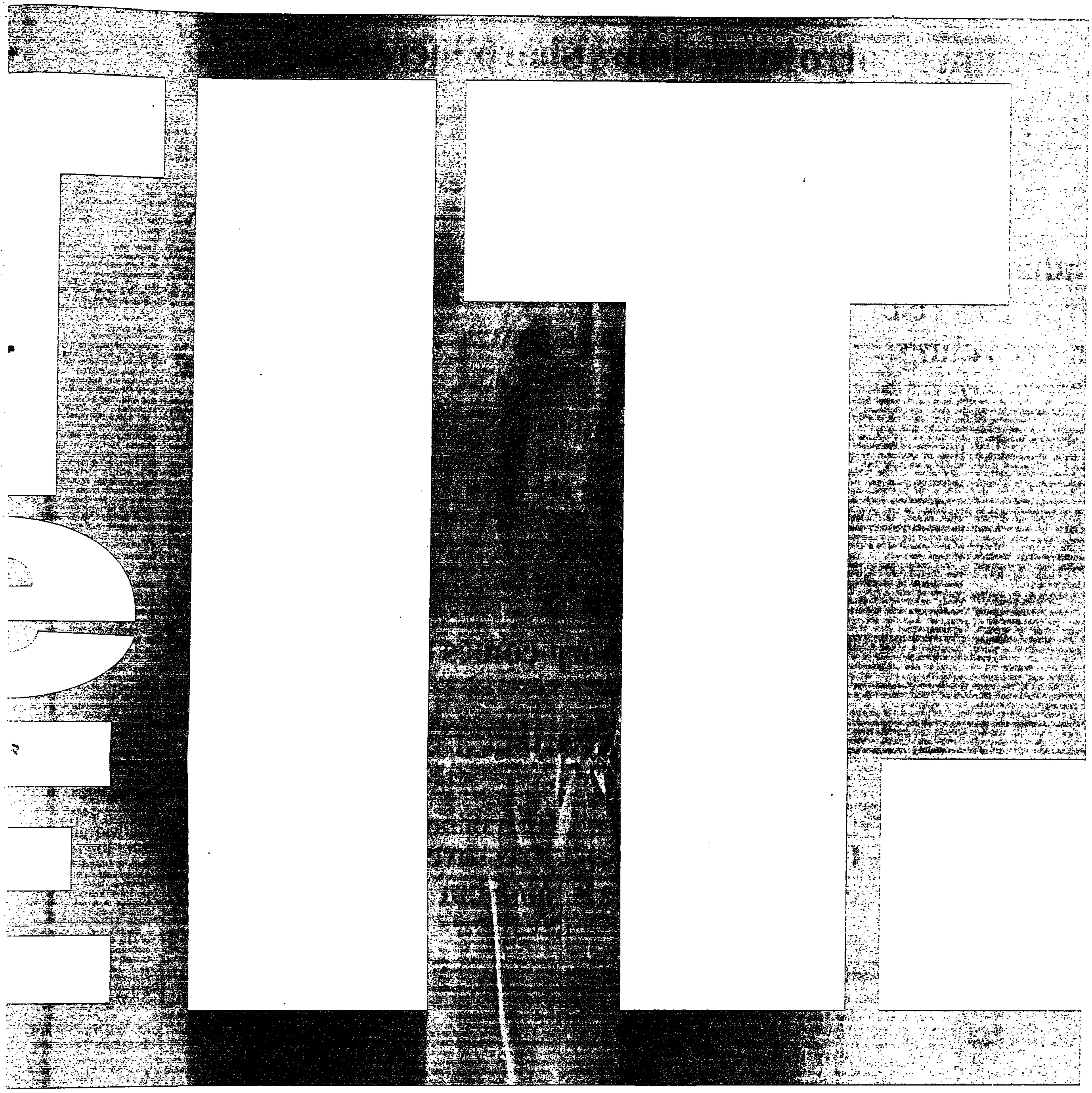

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Consumer borrowing shows sharp increase

By Graham Bowley

The upward trend in UK consumer borrowing was boosted further in December, suggesting that tax increases in chancellor of the exchequer Kenneth Clarke's first Budget had no early impact on demand.

Lending to consumers by finance houses, through unsecured loans from building societies and through bank credit cards under the Visa and Mastercard systems, rose to a net seasonally adjusted £443m in the month, up from £290m in November.

The Central Statistical Office said that, apart from a high September figure, December's rise was the strongest since January 1990.

New credit advanced to consumers in December was £4.98bn, just £4m more than in November, but a record monthly high.

Finance houses boosted their net lending to £398m in December, the highest figure for five years, as spending on vehicles and consumer durables grew strongly. Net lending by building societies and on bank credit cards was small.

Analysts said they were surprised by the strength of consumer borrowing. The City expected a net lending figure of £290m.

The rise was in spite of a disappointing drop in retail sales of 0.2 per cent in December. However, seasonal adjustment factors may have understated retail activity at the end of last year and most analysts believe that the trend in retail sales is still upwards.

Other figures published yesterday added to the picture of continued economic growth. The Department of Environment reported that housing starts in Britain rose by a seasonally adjusted 8 per cent in the three months to December compared with the previous three months.

A survey by accountancy firm Touche Ross showed that business failures in January were at their lowest level since December 1989.

The Treasury said the credit figures were consistent with the upward trend in consumer spending over the past year and a half.

Officials said net lending in the three months to December was at levels last seen before the recession. In the three months to December net lending rose to £1.05bn from £919m in the previous three months. However, more comprehensive net lending figures, which include bank overdrafts and personal loans, showed a drop in the fourth quarter of 1993 to £634m from £714m in the previous three months.

This reflected an inflated third quarter number caused by unusually high net lending by building societies.

Yesterday's figures reinforce the findings of the Finance and Leasing Association which reported last week that consumer credit in December was 36 per cent higher than in December 1992.

Industrialists urge big rise in recycling

By Bronwen Maddox, Environment Correspondent

The UK should aim to recycle half of its waste packaging by the end of the century, leading industrialists said last night.

Meeting that target would add only 1p to every £10 food shopping bill "and will therefore have little inflationary effect", they said in a report yesterday to Mr John Gummer, environment secretary.

The UK should also incinerate nearly a 10th of its waste packaging in schemes to extract energy, the report argues. Last year the UK produced 7.3m tonnes of waste packaging, half household and half commercial but recycled less than a third.

The group of 28 leading retailers and manufacturers – the Producer Responsibility Group – has been working on the plans since the autumn, when Mr Gummer challenged them to find ways of recycling between half and three-quarters of waste packaging.

Mr Ed Falkman, chief executive of Waste Management International, said the plans "are probably achievable if the government really gets serious". But he added that the delay in bringing in tougher rules on landfills – licensed rubbish dumps – had kept landfill prices low, undermining the incentive to recycle.

Publication of the industry's targets comes against a background of crisis in the German scheme for recycling packaging, which has left mounds of unwanted rubbish at sites across Germany and in neighbouring countries.

Under a new European Packaging Waste directive, set to go before the European Parliament soon, countries must recycle between 25 per cent and 45 per cent of packaging waste within 5 years of the directive coming into force. In total, they must recover between 50 per cent and 65 per cent of packaging including "waste-to-energy" schemes.

Mr James Devereux of Incpen, the packaging industry trade association, said the report was a step forward but that there were concerns about how it would be financed.

The cost of pollution is becoming a financial burden for shipowners, according to a study by the UK Protection & Indemnity Club, which covers liabilities for the owners and charterers of 8,000 ships, or about 25 per cent of the world's ocean going fleet.

Pollution claims have amounted to $132m since 1987, with more than 114 claims costing $1.2m on average. During 1992, the last year for which figures are available, the number of pollution claims reported to the club increased to 35, compared to 79 over the previous five years.

Forty-five per cent of pollution claims involved tankers, according to the club's latest analysis of major claims. But about one-third of claims resulted from spills of fuel oil, many of which were the result of human error.

The beginning of the Thorp hearing yesterday brought anti-nuclear protestors to the High Court in London

Picture: Tony Andrews

Battle over Thorp comes to court

The environmental group Greenpeace went to the High Court in London yesterday to try to halt operations at a nuclear reprocessing plant.

Greenpeace is seeking to overturn a British government decision to start up the Thorp – Thermal Oxide Reprocessing Plant – complex in north-west England and force a public inquiry.

The High Court was told that the government's decision to give the go-ahead for the Thorp plant was legally flawed by an "irrational" failure of Mr John Gummer, environment secretary, to hold a public inquiry.

Greenpeace and Lancashire County Council launched a joint application for judicial review in an attempt to block authorisation for the £2.8bn plant at Sellafield, Cumbria.

Mr Andrew Collins QC, for Greenpeace, told Mr Justice Potts: "This is the most important radioactive discharge concern which there ever has been or is ever likely to be – at least in the foreseeable future".

As hundreds of anti-nuclear protesters from all over Britain and abroad demonstrated outside the law courts, Mr Collins urged the judge to declare unlawful the consultation process which led to British Nuclear Fuels getting government approval for the plant last December.

Greenpeace and Lancashire argue that no authorising authority could properly agree to the proposed "dramatic increases" in radioactive emissions, which could lead to many deaths, without a public inquiry. BNF has rejected the allegations and insisted that Thorp will operate within acceptable safety limits.

The plant will reprocess nuclear waste from continental Europe, Britain and Japan into recycled uranium and plutonium.

Thorp will produce 50 to 70 tonnes of plutonium in its first 10 years, adding to the 150 tonnes stockpiled worldwide.

The court hearing is expected to last five days.

Ill will over drug groups' cure-all

By Clive Cookson, Science Editor

A bitter row over safety and efficacy has split the evening primrose oil business.

Efamol, the company that pioneered evening primrose oil as a health product – for treating a wide range of conditions from skin problems to premenstrual tension – issued an attack on its rivals in a statement headed "Women duped by many evening primrose oil manufacturers."

But Seven Seas, a Hanson subsidiary which is the UK market leader, said: "We are sorry that a once respected name should resort to scaremongering to prop up flagging sales."

Roche Consumer Health, part of the Swiss pharmaceutical group, said: "We are dismayed that Efamol has issued such misleading, disparaging and inaccurate data which will serve only to confuse the consumer."

The worldwide market for evening primrose is worth about £200m a year.

Efamol – part of the Scotia pharmaceutical company – said its products were the only ones on the market "put through rigorous human testing to clinical standards".

Rival products did not have the technology to extract gamma-linolenic acid (GLA) – the active ingredient in primrose oils – so cleanly from the plant's seeds and preserve it in good condition in capsules without harmful oxidation.

Efamol also claims that some producers boost the GLA content of their capsules with oil from a different source, the borage plant. Efamol quoted three university studies which allegedly "show borage oil to be ineffective in its biological effects as compared to primrose oil and indicate that it may actually be dangerous".

Roche and Seven Seas denied that any such conclusions could be drawn from the studies.

More Lloyd's syndicates strike commutation deals

By Richard Lapper

Increasing numbers of syndicates at Lloyd's of London are striking deals with policyholders settling probable future claims at less than their full potential value.

Some observers suspect this practice, known as commutation, could harm the reputation of a market that has traditionally boasted of its principle of meeting all claims in full.

But commutation is becoming increasingly common in other areas of the international insurance marketplace and it could help Lloyd's to manage potentially overwhelming liabilities stemming from US asbestosis and pollution cases.

"We are talking to more and more people about doing deals on casualty claims," said Mr Richard Keeling, deputy chairman of Lloyd's. "It is a more sensible way of doing business."

Lloyd's, traditionally an important insurer of US liability risks, has been badly hit by a massive escalation of legal awards, especially from asbestos-related diseases and pollution. Lloyd's holds more than £4bn in reserves to meet future claims, although according to some estimates more money will be needed if the market is to fully protect itself.

Detailed figures showing the scale of commutation are not available. But some underwriters specialising in "long tail" liability business – in which claims may arise many years after the original inception of the policy – are settling up to 5 per cent of notified claims in this fashion. Payments vary depending on the potential strength of the claim.

Recently some syndicates have paid policyholders in US pollution cases only 5 cents per dollar of claim.

In exchange for cash now, syndicates can sharply reduce their liabilities. Both insurer and policyholder can avoid potentially crippling legal costs. Legal costs in some US liability cases can amount to a third or more of a total claim.

Lloyd's difficulties in the past two to three years and policyholders' perceptions of financial weakness has made policyholders much more willing to consider commutation.

"Until three years ago the climate was not favourable for Lloyd's to talk about commutation," said Mr Peter Matthews, of Matthews Consultants, an actuarial firm. However, he says, "Lloyd's is becoming more commercially aware like the rest of the insurance market."

Commuted claims are likely to increase if Lloyd's succeeds in its project to establish NewCo, a reinsurance company, to be owned initially by the Lloyd's Corporation.

Pressure mounts on Sinn Féin

By Michael Cassell in Belfast, Tim Coone in Dublin and Lionel Barber in Brussels

The British and Irish governments yesterday mounted a fresh show of unity to step up pressure on Sinn Féin, the political wing of the IRA, to accept the Downing Street peace declaration.

Both governments are refusing to impose deadlines for a response from Sinn Féin, but it was suggested last night that a decision would be expected one way or the other by the time Sinn Fén holds its annual conference in Dublin at the end of the month.

Despite some irritation in Dublin over the British government's announced intention to press on with talks aimed at finding a political settlement in Ulster, both sides renewed criticism of Sinn Féin and urged it to make up its mind.

Mr Dick Spring, the Irish foreign minister, said in Brussels that the Dublin government was looking for a clear sign to emerge from Sinn Féin's annual conference.

In Londonderry, Sir Patrick Mayhew, Northern Ireland secretary, said he believed people were "very impatient" and enough time had passed for a response to the declaration.

He warned he might go ahead with inter-party talks not only without Sinn Féin, but also without the Rev Ian Paisley's Democratic Unionist party, which opposes the Downing Street Declaration.

Mr Albert Reynolds, the Irish prime minister, speaking in Dublin, urged Sinn Féin to respond positively and stressed that the declaration was "essentially an Irish peace initiative".

There could be no renegotiation of the document "though it may eventually be transcended", he added.

Britain in brief

High Court bans Maxwell musical

A High Court injunction banning *Maxwell: The Musical*, the West End review about the life of the late Robert Maxwell, was won yesterday by Sir Nicholas Lyell QC, the attorney-general.

A judge granted the injunction preventing the show opening because of the "serious and substantial prejudice" it could have upon the trial of the late publisher's sons, Kevin and Ian, and four others charged with fraud over the collapse of the Maxwell empire.

The move came just four days before the first public preview of the musical, due to be staged at London's Criterion theatre.

The show's producer Mr Evan Steadman, a former chairman of one of Maxwell's private companies, said afterwards: "Obviously I am bitterly disappointed, but the law is the law and sadly the show must not go on".

Although Mr Steadman could appeal against the injunction, he admitted last night that this was unlikely.

The musical, which tells the story of the late tycoon through adapted Gilbert and Sullivan songs, had been scheduled to run for 13 weeks in London with a transfer to the US planned.

The injunction will cost Mr Steadman, the sole backer of the show, around £1.1m. All 3,700 people who have bought tickets would have their money refunded, he said.

N Sea gas deal is delayed

The UK and Norway signalled yesterday that they are still some way from ratifying an agreement to extend use of the Frigg pipeline to transport additional North Sea gas into the UK.

Mr Tim Eggar, the UK energy minister, and Mr Jens Stoltenberg, his Norwegian counterpart, were unable to complete the negotiations which have been continuing for nearly two years.

The Norwegians want to extend use of the pipeline, which already pipes gas from the Frigg field to Scotland, to cover other Norwegian fields. The UK wants the new agreement to cover wider issues of trade in oil and gas between the two countries.

A number of major gas deals depend on successful completion of the negotiations. The largest involves National Power, the electricity generator, buying 2.2bn cu m of gas over 15 years from the mid-1990s from GFU, Norway's gas negotiating committee.

The ministers yesterday committed themselves to exploring further ways of reaching an agreement. But they warned the talks were not expected to be concluded in the near future.

Big rise in home starts

Builders started work last year on the largest number of new homes since 1989, according to figures published yesterday by the Department of the Environment.

The statistics confirm that the faltering recovery which began at the start of last year has been sustained with building activity rising sharply during the final three months of last year. The department said builders started work on 186,400 homes in 1993, a rise of 19.1 per cent on the previous year. It was the highest number of starts since 1989's 201,100. By 1992 this figure had slipped to 156,500.

Firmer tobacco rules rejected

The UK government yesterday rejected proposals for firmer legal controls on tobacco advertising and said it would not impose tax penalties on manufacturers which advertise.

The news was welcomed by the Advertising Association, the umbrella group for clients and practitioners in the industry, but greeted with dismay by health groups and Ash, the anti-smoking group.

Mr Kevin Barron, Labour MP for Rother Valley, said he would press ahead with a private member's bill banning tobacco advertising which will have its second reading debate in the Commons on Friday.

Mr Barron said he was confident that a majority of MPs from all parties will support the bill. The government is expected to concede a free vote, allowing Mrs Virginia Bottomley, health secretary, and other health ministers to abstain. Mrs Bottomley, who failed to persuade cabinet colleagues to accept a package of compromise proposals, is expected to try to change the bill during its committee stage.

However, Mr Barron said he would resist pressure to water down the bill. "If the committee reflects the vote on the floor of the House, as it should do, I am sure that there will be no need to change it at all," he said.

Dr Brian Mawhinney, health minister, said there was "little to support the argument that a statutory ban would have a dramatic effect on further reducing smoking, especially in comparison with the impact of other measures such as price or parental influence".

The government plans to start talks with the tobacco industry on increasing some voluntary controls, particularly in relation to children. The rules relating to poster advertising near schools and playgrounds, for example, could be tightened.

Ash said experience in Canada and Norway showed that advertising bans could lead to a drop in consumption of 4 per cent to 9 per cent – equivalent to saving between 4,400 and 10,000 lives a year in the UK.

Cathedrals win £4m for repairs

English Heritage, the body which looks after historic buildings and monuments, yesterday announced grants totalling in excess of £4m for 43 cathedrals to help pay for repair and conservation work.

The two largest grants, each of £500,000, go to Salisbury cathedral and the Roman Catholic cathedral in Liverpool. Ely, Lincoln and Gloucester cathedrals are to receive £250,000, £225,000 and £224,000 respectively.

S Yorks tractor factory to open

The David Brown engineering group has returned to the tractors business after an absence of more than 15 years by making transaxles – combined axles and transmissions – in a new high-technology factory in South Yorkshire.

The first phase of the factory, which will officially open next week at Penistone, near Barnsley, is making transaxles for the US, German and Italian tractor markets.

London welcomes the Russians who came in from the cold

Gillian Tett assesses the impact of the big spenders from the former Soviet Union

In Davos, Switzerland Mr Boris Fyodorov, the former Russian finance minister, observes that "flats bought by Russians are helping the London property market very much".

Nearby, a Swiss banker notes that there is a "huge cash business coming out of Russia – no one knows where it is going".

Meanwhile on London's Bond Street an exclusive jeweller is delighted by the surge it has seen in Russian customers.

Two years after the collapse of the Soviet Union a new breed of Russian business person – and Russian money – is beginning to arrive in Western capitals. The scale of the capital flight is startling.

Last year official assets from the former Soviet Union held by Western banks doubled to almost $18bn, with about $4.4bn of this held in London. Much of this is accounted for by Russian businesses and banks but anecdotal evidence suggests that some significant fortunes held by Russia's new élite are hidden away in these accounts. In London alone at least £50m worth of property is estimated to have been purchased by buyers from the former Soviet Union in the past two years, some by companies and some by newly rich individuals.

Mr Nikolai Chertvertakov, a former employee at the Russian trade delegation in London and now a business consultant, said: "Many Russian businessmen are buying homes in London. They come to rest and to work." He said that London was a favoured haven for three reasons: the high value Russians attach to the English language and education system; its position as a financial centre; and above all, its proximity to the metal, mineral and oil exchanges – an area which has proved lucrative for both legal and illegal Russian exporters in the past.

Although the influx is tiny compared to the 1970s spending sprees of the Middle East's oil-rich it is presenting both an opportunity and a problem for London financial institutions which fear that some of the money might be from less-than-reputable sources.

Russians themselves are keen to minimise this threat, arguing that criminal money forms only a fraction of funds arriving in the West. But the chaotic nature of the Russian legal system means that distinguishing the legal from the illegal is often extremely difficult.

Meanwhile, as bankers point out, most of the money arriving in London is doing so by locally legitimate means. Russian regulations stipulate that Russians can only open offshore bank accounts with the Russian Central Bank's permission, and restrict most Russian companies from exporting their hard-currency profits or investing them overseas.

Russian businesses and individuals are usually able to circumvent this by setting up a joint-venture or overseas company subject to local law.

Mr Bill Newman, assistant general manager of Narodny Bank, a British bank whose main shareholder is the Russian state bank, said: "There is an awful lot of Russian money swirling around, but much comes out quite legally from Russian banks and businesses. The Latin American experience shows that when you have hyperinflation and a collapse in the exchange rate you will see an outflow of capital."

Either way, the trend has left some estate agents in London celebrating. One estimates that in the past two years more than 70 purchases have been made in London by Russians – with most sales between £750,000 and £2m.

Estate agents say most of these sales are cash-based, using offshore funds from banks or companies headquartered in a low-tax jurisdiction. One estate agent, Benham Reeves, has been so impressed by the increase that it is talking to a bank based on the Isle of Man about establishing a special offshore payment system for Russians.

Some buyers have been Russian companies, operating as joint ventures out of London or an offshore base. The Russian Rosal trading group provides a typical example. A British-Russian joint venture based in Monaco for tax purposes, the company trades in metals from the Siberian area and has bought properties in London for the use of its employees.

Mr Vladimir Gusinsky, head of the Most construction group in Moscow, has bought property in London and Portugal, registered as company-owned to minimise his tax bill.

Other Russians have been purchasing private properties more openly. Mr Nick Gilchrist, of Lassmans estate agents, which has sold about five properties to Russians around the £1m mark, recently sold a £1m property to a Russian business family from St Petersburg.

Mr Gilchrist said: "They were wanting a family home because they are putting their daughter though further education here." He added that the family arrived with a beautiful collection of Russian antiques.

Artwork and jewellery has proved to be a particularly popular purchase for some Russians. A Swiss banker said: "We think a lot of this [Russian] money must be coming out through jewellery and things like that."

Mr Ivan Samarin, Russian expert at Sotheby's, said that whereas five years ago "there would have been no Russian buyers at the auctions of Russian art, now there might be up to a dozen". Mr Alexis Tiesenhausen, Christie's Russian expert, said although these clients were financially as sophisticated an any Western client, they were "extremely quiet and secretive".

Russians have also been spending money on education. Oakley Hall school in Cirencester, Gloucestershire launched an advertising campaign in Russia last year. It attracted 18 Russian pupils at £7,335 a year each.

Fee payments are made in a range of hard currencies, using an "innovative" system, according to Mr Rawlinson the school's headmaster and a former merchant banker. One set of parents paid through both a German and American bank. And although Mr Rawlinson has turned away one suspicious parent who arrived at the school with cash in hand, he is confident that the business can expand, with about 100 pupils projected to arrive at a range of British private schools next year under a scheme being established by Mr Rawlinson.

Additional reporting by Ian Rodger in Zurich, Leyla Boulton in Moscow and Richard Lambert.

'Clinique' name can be used

EUROPEAN COURT

National marketing regulations are still subject to Rome treaty rules on free movement of goods, even if applied indistinctly to imports and domestic products, the European Court of Justice ruled last week.

In a decision which clarifies its recent ruling in the Keck case, the Court said national marketing rules would only be lawful when they could be justified on a public interest ground which took precedence over the free movement of goods principle.

In the Keck case, the Court said the Rome treaty ban on import restrictions did not apply to national marketing rules which merely concerned domestic "selling arrangements" applicable to all goods.

The ECJ said treaty rules on free movement of goods and the 1976 directive harmonising national laws on cosmetics precluded the application to those Estée Lauder cosmetics sold under the trademark "Clinique" of German laws prohibiting the sale of goods with a name that could mislead consumers as to their properties.

The Court ruling was a response to a question referred by the Berlin Landgericht about the interpretation of the free movement of goods rules in the context of proceedings brought against Estée Lauder for using the name "Clinique" on its products marketed in Germany. The company had originally used the name "Linique" in Germany but had changed to "Clinique", the name used in all other member states, to cut packaging and advertising costs.

A German business association brought proceedings to stop the use of the name "Clinique", relying on German laws prohibiting misleading advertising and the marketing of cosmetics under names likely to mislead consumers as to their effects. The name "Clinique" was said to mislead consumers into thinking the products had a therapeutic effect.

The ECJ pointed out that it was entitled to consider relevant Community law provisions which had not been referred to it by the national court. In particular, it said, the 1976 directive harmonising national laws on cosmetics provided for full harmonisation.

However, as contended by the Commission, the directive, like all secondary legislation derived from the treaty, had to be interpreted in the light of the treaty, including the free movement of goods rules.

The directive covered marketing rules for cosmetics. It required member countries to prevent the use of a name or information which was misleading about the properties of the goods. The aims of the directive included protecting consumers, preventing unfair competition and protecting health.

Hence, said the Court, it was necessary to check whether German laws which implemented the directive in this respect complied with treaty rules on free movement of goods and, in particular, whether the prohibition of the name "Clinique" was proportionate to the original objective.

Following previous case law, the Court said that the German prohibition of marketing cosmetics under the name used in all other member countries was in principle an obstacle to interstate trade, because it forced the company to adopt a different name in only one member country and so incur additional advertising and packaging expense.

The ECJ also said prohibition of the name "Clinique" in Germany was not necessary to satisfy the objectives of consumer and health protection. It said the German court found Estée Lauder only marketed its products in Germany through perfume shops and in the cosmetic sections of department stores, not pharmacies. The products were presented as cosmetics and not medicaments. Moreover, the products were sold in this way under the name "Clinique" in other countries without causing confusion for consumers.

C-315/92, Verband Sozialer Wetteberb v Estée Lauder Cosmetics GmbH, ECJ 5CH, February 2 1994.

Belgian work rules discriminate

Belgian legislation providing exceptions to the ban on night working which differ between men and women infringes the 1976 equal treatment directive on access to employment.

C-12/93, Office National de l'emploi v Minne, ECJ 6CH, February 3 1994.

BRICK COURT CHAMBERS, BRUSSELS

A question of ownership

Robert Rice asks whether financial documents attract copyright protection

When Richemont, the Swiss tobacco to luxury goods group, reshuffled its assets last autumn to produce two separately focused businesses, Rothmans International and Vendôme Luxury Group, copyright notices appeared on the inside cover pages of the listing particulars in the name of Compagnie Financière Richemont AG.

Mr Frederick Mostert, Richemont's intellectual property counsel, believes this is the first time that a company has openly claimed copyright protection for one of its financial documents.

Richemont's move raises a question increasingly of concern to the financial community on both sides of the Atlantic. Can copyright subsist in financial documents such as prospectuses, offering circulars, listing particulars and other financial documents required for public disclosure purposes or for filing with a stock exchange?

The issue has become controversial, as companies that have spent considerable time and money on developing new financial products increasingly look for ways of protecting their investment in intellectual property.

Certainly copyright protection exists for intellectual products in other areas of professional services, such as architects' plans, barristers' opinions, cartographers' maps, scientists' laboratory test sheets, trade catalogues and listings. So why not for financial documents?

The matter has never come before the English courts, but in the US there has been a limited amount of litigation for infringement of copyright in financial products.

In 1982, in a case brought by Dow Jones, a court ruled that a list of stocks in an index was protected by copyright. In 1985 Merritt Forbes, a securities underwriter and marketer, which had registered a copyright for its reoffering circulars and supplements for tax-exempt municipal bonds, successfully sued Newman Investment Securities and others for infringing the copyright by using substantially copied documents in an offering. And last year a number of actions for infringement of copyrighted insurance forms was heard in US courts.

The increasing use of trademarks and service marks for new financial products such as Lyons (Liquid Yield Option Notes), which is a trademark of Merrill Lynch, and ABC Securities, which is a registered service mark of Kidder Peabody, also points to the increasing desire of companies to protect their intellectual creations. But in spite such developments, the extent to which copyright can subsist in financial documents remains largely untested.

Copyright can subsist in financial documents to the extent that they constitute original works of authorship, according to an article in the European Intellectual Property Review by Mr Christopher Morcom QC, one of the UK's leading intellectual property lawyers, Mr Roger Zissu, president of the US Copyright Society and a partner of New York law firm Weiss Dawid Fross Zelnick & Lehrman, and Mr Mostert. But there are limits to the material used in financial documents which can benefit from protection.

They add that, while under both English and US law financial documents generally qualify for protection as original "literary works", the idea behind a financial product cannot be copyrighted. Protection extends only to the way that idea is expressed.

As a result, to the extent that financial documents incorporate accounting methods, financial systems or legal concepts, they can be freely used by others, provided they are not slavishly copied.

Facts also cannot benefit from protection, so financial data contained in balance sheets or income statements can be used freely. And there is no protection for standard wording or boiler-plate provisions in common use in the financial industry.

But in all other respects, provided a financial document constitutes the expression of an original work, it will attract copyright protection whether or not it is compiled from public sources and whether or not it includes a number of standard provisions, say the authors.

Infringement of copyright in financial documents will depend on the facts of each case. If there has been slavish copying of substantial parts of a document, the issue should be clear. Where the language and order of an original document have been changed, the issue may be less obvious. If the copyright owner can prove the alleged infringer has made use of the original work and, despite changing the language, has taken "the heart or essence" of a copyrighted work, it might be possible to establish an infringement.

If, on the other hand, an alleged infringer has produced a document through original work using other public material and not by copying, there will be no infringement, even if the contents are similar in some respects.

According to Mr Zissu, in cases that are too close to call, the outcome is likely to be influenced by the court's sense of where the balance of fairness lies between the parties. He points out, however, that although judges may be influenced in their decision by a sense of fair play none is likely to admit to it.

One of the most controversial areas of this debate is the question of ownership of the copyright in the documents and the right to use copyrighted material in subsequent documents, says Mr Mostert.

As a general rule, copyright vests in the author. But what is the position when a group of companies produces a document setting out ideas for a financial reconstruction, and sends it to a merchant bank or law firm for advice and revision?

The production of a derivative document should not affect the copyright in the original. The lawyer or banker would not be free to copy the original document or use its contents to prepare derivative works for other clients.

But what if the derivative document is sufficiently original to merit its own copyright, or the contributions of the original compiler and the lawyer who revises the original document cannot be separated, so that the revised document becomes a work of joint authorship?

Under English law, says Mr Morcom, when the work is prepared by a lawyer or a banker the usual position is that the author retains any copyright in the work, subject to an implied licence for the person for whom it was prepared to use it for the purpose for which he or she requested it.

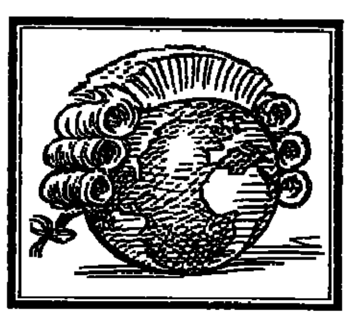
However, where the work is derived from copyright material prepared and supplied by the client and the law firm or bank is being paid for preparing it, it may be an implied term of the contract of engagement that copyright in the derivative work is assigned to the client. The position is broadly similar in the US.

The authors stress, however, that each case will turn on its facts. It is this uncertainty that is beginning to concern lawyers, bankers and their corporate clients.

There is no doubt that copyright in financial documents is more on people's minds, says Mr Morcom. The ease with which documents can be stored on databases and reproduced has made them consider the issue more carefully. "In a recession where everyone is looking to cut costs, there must be a temptation to save time by taking shortcuts," he says.

So will litigation follow? "The issue is very controversial in the financial community," says Mr Zissu. "Someone's going to sue for breach of copyright in financial documents in the next year or two."

LEGAL BRIEFS



Clients not told costs in advance, survey shows

Solicitors are still failing to inform clients in advance of the cost of legal advice and representation, in spite of clear guidance from the Law Society, the profession's governing body. According to the National Consumer Council, 25 per cent of firms also fail to provide an internal complaints procedure as required by the society's practice rules.

In an NCC survey of solicitors in England and Wales, 80 per cent said they told clients at the outset of the likely costs of their case. But only 60 per cent of clients said they were told of the likely cost. One in four said they had no idea how much their case would cost until they received the bill.

Most solicitors also claimed that legal aid clients required to contribute to the costs of their case were told the likely level of contribution at the outset. But less than half of clients said they were told of their legal aid contribution at the start.

Lady Wilcox, NCC chairman, said the survey showed solicitors were not as good at communicating information as they thought, but this was not surprising given only 10 per cent of firms actively sought feedback from clients.

Formal link

Berwin Leighton, the City solicitors, has formalised its three-year association with Kato Nishida & Hasegawa, the leading Tokyo law firm.

The firms have been working together in central and eastern Europe since Professor Hiroshi Oda, Sir Ernest Satow professor of Japanese law at University College London, was appointed a consultant of Berwin Leighton in 1990. Prof Oda, one of Japan's leading experts on Russian and central and eastern European law, is also a consultant of Kato.

PEOPLE

Finance moves

■ **Clive Cooke, Bill Kissack, Geoff Lott** and **Jim Magee** have been appointed to the board of EXCO INTERNATIONAL.

■ **Mallory Wise** has been promoted to md of Alexanders Discount, part of CREDIT LYONNAIS.

■ **Andrew Baucutt, Bill Blair, David Campbell, Mark McCutcheon, Tom Mitchell, Jeremy Sharp, David** and **Stephen Wheeler** have been appointed to the board of GREIG MIDDLETON & Co.

■ **Roger Day** has been promoted to head of operations design at YORKSHIRE BANK; **Cathal Magee**, formerly head of human resources at National Irish Bank (a co-subsidiary of National Australia Group), has been appointed head of human resources in succession to **Brian Jones** who is appointed head of technology investment and development with Technology and Operations, Europe, another subsidiary.

■ **Nicholas Kahale** has been appointed a vice-president of SALOMON BROTHERS Asset Management based in London; he moves from CS First Boston.

■ **Gen Yamaguchi** has been appointed md of NIKKO EUROPE's syndication division; **Andrew Haines** has been appointed deputy md of the fixed income & money markets division.

■ **Andrew della Casa** has been appointed director, investment sales, at PHOENIX Investment Counsel, the London-based part of Phoenix Home Life.

■ **Roger Ward** has been appointed head of global electronic banking at STANDARD CHARTERED; he moves from Chemical Bank. **Mervyn Davies** has been appointed group head of global account management; he moves from Citibank.

■ **Lynda Rouse** and **Andrew Christie** have been appointed mds of and **Graham Cook, Christian Hoist, Sian Lock, Mehrdad Noorani, Michael Perry** and **John Woolman** directors of BZW corporate finance.

■ **Alexandra Hahn** and **Trevor Hearn** have been appointed to the board of BANKERS TRUSTEE Company.

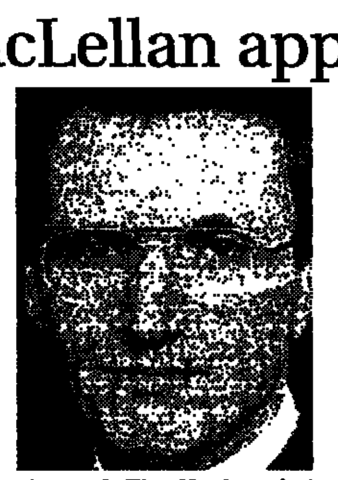
■ **Donald Wasdell**, formerly a director of Smith Keen Murray, has been appointed md of QUILTER GOODISON's office in Birmingham.

■ **Sir Robert Wade-Gery** has been appointed vice-chairman of BZW.

Haden MacLellan appoints MD

A series of senior management changes at Haden MacLellan Holdings, the big engineering group, was concluded yesterday with the appointment from March 1 of Richard Taylor as group managing director. The changes over the past 18 months began with the departure in September 1992 of the flamboyant chairman Philip Ling. His successor, the conservative Harold Cottam, was charged with improving the group's image in the City as well as examining its management structure.

This led to the departure early last year of chief executive Mel Hawley, only a year after his promotion to the post. His duties were taken on by Cottam and by the mds of the two main divisions, Taylor at process engineering and services and Clive Northmead at manufacturing and distribution. A group finance director, Nigel Reed, was appointed at the end of last year.



The appointment of Taylor, 48, is a reward for his efforts since joining the group as managing director of the UK process engineering and materials division in 1984. In particular, a management and operational reorganisation led by him reinvigorated the group's formerly loss-making US businesses, which were brought under his operational control in 1992.

In his new role Taylor will remain in overall charge of the process engineering division, for which he also announced a streamlined reporting structure yesterday. The division accounts for more than two-thirds of HMH's £300m group turnover.

HMH said yesterday that it was "possible and appropriate" for Taylor to give full attention to his additional responsibilities and bring added focus to the group's total operations and strategic direction.

Loudon quits M&G board

George Loudon, the former Midland Montagu chief executive who lost his job when HSBC Holdings acquired the Midland Group, is stepping down as a non-executive director of Britain's largest independent unit trust company M&G after just under a year.

"M&G is a terribly conservative place and maybe that is not apparent to an outsider," says group managing director Paddy Linaker. "We are a bit of a tortoise rather than a hare. Loudon is a high-powered financial type used to doing mega-deals on a regular basis."

M&G has recently been surprised by the degree of controversy sparked by the renewal of its executive share option scheme, which was in fact approved by a majority of shareholders at an extraordinary general meeting last week. But Linaker is firm that Loudon's departure is quite unconnected with that episode. "He was totally behind the company's stance," he says.

Dutch-born Loudon, whose varied international experience had included spells with Amro Bank in Amsterdam, Lazard Frères in Paris and the Ford Foundation in New York and Jakarta, may have been disappointed that M&G's plans to expand into continental Europe have not taken shape faster, according to Linaker. But it was not one sole issue, rather a general difference of philosophy, that prompted the cooling which was already apparent last September, the M&G boss continues.

Two other non-executive directors are stepping down from the board; Lord Rees-Mogg after seven years' service and Alan McLintock after 14, while Barry Sherlock, chairman of the life insurance and unit trust self-regulatory organisation Lautro, comes on in a non-executive capacity, but Linaker says there is "no tremendous hurry" to make further appointments.

■ **Leslie Warman**, 47, a former senior executive with Lloyds Merchant Bank, has taken over as chairman of Wakebourne, the computer services and support group which has emerged from the shambles of the collapsed Maddox group.

Warman, a non-executive director of John Tams and LBS Financial Software, made his name among institutional investors by standing up to Philip Green, the controversial boss of Amber Day Holdings. His resignation in June 1992, after just under a year on the board, signalled that all was not well and within a matter of months Green had been forced to quit after a collapse in Amber Day's profits.

Wakebourne, which changed its name from Maddox Group, has had a controversial history under its previous chairman Hugo Biermann, a colourful South African entrepreneur. He resigned last November after the company announced massive losses and City institutions were forced to come to its rescue.

Although the company has been overshadowed by unfortunate publicity, its computer services operation is well regarded and has been run by the same management team for the past ten years.

■ The new man at the top of Schroder Venture Advisers – one of the largest UK-based international venture capital groups – has a strong technology background.

Peter Smitham, 51, took over as managing partner of the Schroders affiliate last week in the wake of the surprise resignation of Jon Moulton.

Smitham, who joined Schroder Venture Advisers in 1985, spent his early career with ITT Europe, moved to Barclay Securities where he was involved in creating a pharmaceutical group from six acquisitions in two years, and later took over responsibility for Lex Service's European electronics business.

This last job came about as a result of being a founder shareholder in a start-up electronics business called Jermyn Holdings, sold to Lex in 1983.

Since moving into venture capital he has led 20 of SVA's 105 investments, including most of those involving electronics and information technology companies.

One of his most successful deals was the management buy-out from Cambridge Electronics Industries of Roxboro Group, which went public in 1983.

Bodies politic

■ **John Svalander**, formerly general for environmental affairs for BP Chemicals, based in Switzerland, has been appointed director of the EUROPEAN COUNCIL OF VINYL MANUFACTURERS.

■ **Dominic Cadbury**, chairman of Cadbury Schweppes, is to succeed **Sir Bryan Nicholson** as chairman of the CBI EDUCATION AND TRAINING AFFAIRS COMMITTEE.

■ **Brian Kelleher**, who has recently sold Kelleher Forwarding to Uniserve Group, has been appointed president of FIATA, the International Federation of Freight Forwarder Associations.

■ **Brian Thomas**, chairman of Metrotect Industries, has been elected to the board of the INTERNATIONAL PIPE LINE & OFFSHORE CONTRACTORS ASSOCIATION.

■ **Michael Heath** has been appointed director general of The CLEANING AND SUPPORT SERVICES ASSOCIATION.

■ **Alan Matthewman**, md of Danielson, has been elected chairman of the MEMBRANE SWITCH MANUFACTURERS' ASSOCIATION.

■ **Keith McCullagh**, chief executive of British Bio-technology Group, has been elected chairman of the newly created BIOINDUSTRY ASSOCIATION.

■ **Paul Keen**, acting chief executive of Investors In People UK, has been appointed the DEPARTMENT of EMPLOYMENT's new regional director for the north west of England. He played an important role in the design and promotion of IIP, a public body which seeks to tailor training more effectively into corporate business plans.

■ **Kenneth Turnbull**, executive vice-president, Europe and Africa, has been elected chairman of the BRITISH CHEMICAL ENGINEERING CONTRACTORS ASSOCIATION.

■ **Maurice Cain**, senior principal scientist with the Malaysian Rubber Producers' Research Association, has been appointed secretary-general of the INTERNATIONAL RUBBER STUDY GROUP.

■ **Richard Gamble**, group chief executive of Royal Insurance, has been appointed a member of the POLICYHOLDERS PROTECTION BOARD.

MANAGEMENT: THE GROWING BUSINESS

Equip us for competitiveness

Andrew Baxter on what some smaller engineering companies told their Treasury guests

Brian Lawson fingers a part the size of a napkin ring which his subcontracting company produces on two machine tools – it starts in one, moves across his cramped little factory to the other, and ends up back on the first to be finished.

"With the right sort of equipment I could make this cheaper on one machine," says Lawson, owner of Canmore Engineering, based in High Wycombe, Buckinghamshire. "I'm competing with companies in Germany and Italy which have better equipment."

Canmore was one of 11 engineering companies in the home counties and the West Midlands which took part last week in a two-day event designed to show officials from the Treasury why investment in new technology by small and medium-sized enterprises (SMEs) is vital to UK competitiveness as the country's recession ends.

The event was a coup for the organisers, the Machine Tool Technologies Association, which for the first time managed to lure five senior Treasury officials from their desks to visit a crucial part of the UK industrial base.

The businesses they visited were not "poor companies bleating for hand-outs," says the association's Mark Swift, "but good companies that could do even better if it was easier for them to invest".

The tour followed a meeting late last year between the Treasury and the MTTA. "We said: 'Let us take you to see the SMEs which are critical of the banks and the government,' so that officials could see what it is these businesses need to invest in new technology," says Michael Legg, managing director of Japanese-owned Hitachi Seiki UK.

A related aim, he says, was to show the Treasury how machine tools have changed over the past decade.

The issue of competitiveness – and the disadvantages many SMEs believe they face when trying to win work against rivals in Europe and the Far East – dominated the tour.

The clearing banks attracted considerable criticism – one defence supplier complained that its overdraft had been cut by one-third with no warning.

The government came under attack too, with SMEs calling for the fine words about manufacturing over the past year or so to be matched by more action.

The SMEs suggested a number of solutions ranging from a system of grants like the now discontinued Sefis (Small Engineering Firms' Investment Scheme), more generous capital allowances, or a government-sponsored scheme to channel stable, relatively low-cost finance to SMEs. Above all, the SMEs were looking for something from the government that would increase their confidence in making investments.

Alan Addis, managing director of Southall-based Verdict Precision Engineering, says machine tool purchases by his French counterparts are heavily subsidised by their government, which then insists that large contractors use these suppliers.

As for growing the company, Addis says: "We've got some super plans and want to do so much. I need £1m to make Verdict really grow but where am I going to get it from?"

Addis is particularly keen on seeing a revival for Sefis grants to encourage equipment purchases, although he says interest rates cannot be ignored either. Lawson, meanwhile, says that buying the latest high-tech equipment brings access to higher-margin work. Also, with aerospace customers likely to give big orders at short notice, "you've got to have the equipment to make it on. There's no point in having 15-year-old machine tools".

And the reaction from the Treasury visitors? Bill Guy, head of its supply side unit, said the tour would not lead to an overnight change in policy, and seemed doubtful about some of the SMEs' proposals. But the trip would add to the "quality of decision-making" at the Treasury.

Walker: "When we unscrambled our banking arrangements . . . we could go into the export market with renewed confidence" Colin Beere

Banks begin to face the facts

In the second of a series on exporting, Richard Gourlay and Ian Hamilton Fazey consider the role of lenders

Hardly a day goes by when UK industry is not encouraged to export; with equal regularity there is a chorus of protest from exporters saying that banks do not understand their needs. According to Ian Campbell, director-general of the Institute of Exports, the biggest challenge exporters face is in dealing with their lenders. Finding flexible forms of finance comes before arranging insurance or even planning a marketing strategy.

"Banks' understanding is very limited at the local level, although there are good people at the head office," says Campbell.

A 1993 study by the institute showed that banks were the first call for advice on exporting for 80 per cent of smaller companies but 72 per cent of them said the advice they received was of no use.

One of the most common complaints from exporters was that banks lack adequate understanding of their customers' foreign markets. "When exporting you need to be far more flexible if you are going to gain contracts," says Roger Walker, managing director of Long Products, a manufacturer of anti-corrosion and water proofing materials based in Rye, East Sussex. The company exports about 85 per cent of its £3m annual sales.

Ideally exporters should be in a position to offer a financing package when they go into negotiations with customers. But many complain that their commercial position is undermined by their banks not matching the flexible finance offered by overseas competitors.

Exporters cannot, however, be exonerated from all blame. Often they turn to their banks far too late in the day. According to Stuart Natus, head of international trade services at Barclays Bank, it is common for customers to say: "I have something which is being shipped tomorrow, how do I finance it?" or, "what can I do, the letter of credit has not arrived?"

Alternatively, companies may simply be talking to the wrong people in their banks. It is unrealistic to expect most branch managers to be conversant with collection methods in Italy, for example.

While a number of banks are setting up business centres with a resident international trade specialist, exporters need a far more professional approach to ensure their export finance is properly lined up.

"Companies should look at export finance quite separately from their ordinary retail banking needs", says Walker. "It is up to individuals to assess the quality of the banks and the people in the bank they are dealing with."

Walker's knowledge of shopping around is the result of bitter experience. Four years ago Long Products had to turn away orders that cost the company £400,000 of profits over two years. With no warning, his bank started withdrawing its export financing facility from the market, giving him no time to make alternative arrangements. The bank told Walker that head office was trying to reduce its capital lending ratios.

After much research and an expensive two-year transition, Walker now does his foreign business with Barclays in London and his domestic banking with the Royal Bank of Scotland. "When we unscrambled our banking arrangement, we got our sales and profitability back up because we could go into the export market with renewed confidence," he says.

Whistling a tune composed in head office is not uncommon for local branch managers.Elaine Thomson, managing director of Frederick Thomson in Crewe, faced a similar situation with NatWest.

Having won a £260,000 order to make specialist baking machinery from Fazer of Finland, Thomson says she was assured by her branch manager that he would provide a guarantee to return a deposit if the equipment was not shipped. Then, on the instruction of the regional office in Liverpool, NatWest said it would not issue the guarantee and Frederick Thomson lost the order.

Thomson rescued the order when an insurance company agreed to provide the guarantee, but only with the help of the Bank Relationship Consultancy, a group that advises companies how to get more from their banks. NatWest says Thomson, which had been losing money, had unusual trading patterns and that the bank had tried to be as supportive as possible.

Another significant problem is that UK banks, when judging how much security a debtor book can support, will usually ascribe no value to foreign debt receivables, however large the customer, unless they are backed by credit insurance. "When the banks take a charge over the assets, they may allow 80 per cent against domestic debtors but nothing against overseas debts," says Mark Runiewicz of the Bank Relationship Consultancy.

Barclays' Natus says the bank is currently considering changing its policy to take a "more educated view" of the risk of foreign debtors.

If the attitude is relaxed, exporters would immediately be able to tap a new source of security against which to raise finance. But as long as the policy remains, companies will continue hiding their export receivables in their debtor book, undermining the trust on which relations with banks is best built.

Elsewhere there are signs that the banks may be responding to exporters' needs. After a gap of some years, NatWest has reintroduced an export finance scheme aimed at the smaller exporter whose overdraft is insufficient to support its foreign trade. What is more, there is growing recognition among banks that the service they offer exporters could be improved. Andy Nemes, of NatWest's international trade and banking services division, admits that the barrage of complaints at last year's exporter forums chaired by the Financial Times was an "eye-opener".

A former deputy head of the bank's staff training college, Nemes says NatWest is going to modify its training programmes as a result of what he and his colleagues learned.

And the institute is working with NatWest to devise a course for bank staff on exporting.

In a Nutshell

League offers cut in credit card costs

Help is at hand for smaller companies that sometimes have to pay more than 5 per cent to process credit card transactions.

From next week, companies that join the Independent Business League*, formed last year to represent smaller company interests, can expect cuts in charges on payments received by credit card.

Members with average transactions of £150 or more will qualify for a 1.55 per cent rate. Those with smaller transaction sizes will pay between 1.7-3.0 per cent. The deal was negotiated with Barclays Merchant Services, the processor of about 40 per cent of plastic card purchases.

**Details from the Independent Business League. Tel 0800 387085.*

UK bank support for franchising

European companies seeking bank support for franchising operations are likely to get the warmest and most knowledgeable reception in the UK and the Netherlands, according to a study.

Elsewhere, banks have a poor knowledge of franchising and little interest in developing its potential.

The study* is by Professor John Stanworth of the University of Westminster and Peter Stern, franchise manager at NatWest Bank.

**Improving small business survival rates via franchising – University of Westminster. Tel 071 911 5000.*

Answers to the quick quiz

The answers to yesterday's quiz are as follows: 1 T; 2-7 F; 8-9 T; 10-11 F; 12 T; 13-20 F. Score 0-5: Oh dear, pretty naive or even bigoted. 6-10: Too long at the school of hard knocks, we fear. 11-15: Yes, experience has helped. 16-20: Clearly a veteran of the management school of life.

BUSINESSES FOR SALE

AUCTIONS

PERSONAL

AUCTIONS

BUSINESS SERVICES

LEGAL NOTICES

THE INSOLVENCY ACT 1986
ASM AIR SERVICES & MANAGEMENT
LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above-named Company will be held at the offices of Single & Company, 49 Queen Victoria Street, London, EC4N 4SA on 15 February 1994 at 2.30 p.m., for the purposes mentioned in Sections 99 to 101 of the said Act.

A list of the names and addresses of the Company's creditors will be available for inspection free of charge at the offices of Single & Company, 49 Queen Victoria Street, London, EC4N 4SA between 10.00 a.m. and 4.00 p.m. on Friday, 11 February 1994 and Monday, 14 February 1994.

Creditors wishing to vote at the meeting must lodge a full statement of account and an informal proof of debt and unless attending in person a proxy at Single & Company, 49 Queen Victoria Street, London, EC4N 4SA, no later than 12 noon on Monday, 14 February 1994. Secured creditors must, unless they surrender their security, give particulars of their security and its assessed value if they wish to vote at the Meeting.

Dated 31 January 1994
By Order of the Board
Mr David Lee
Director

CONTRACTS & TENDERS

PROCUREMENT NOTICE
ÇUKUROVA ELEKTRIK A.S.

BID NO : PEN TLC 02
BID SUBMISSION DATE : 29.03.1994

ÇUKUROVA ELEKTRIK A.S., (ÇEAS) intends to procure below Power Transmissions Lines Conductors for its Tranmission Lines:

SCHEDULE 1: 1000 Tons of 477 MCM ACSR Conductors

This procurement shall be financed by the company resources and the Bidding shall be made according to the company's Bidding Procedures.

This Bidding is open to all Bidders who comply with below Prerequisite for Eligibility:

Bidders who have been regularly engaged for a continuous period of 10 years, prior to the date of Bid Submission, in design, manufacture of at least 60.000 tons of above specified type of equipment; and are still in operation after 3 years.

A complete set of Bidding Documents may be obtained upon remittance of a non-refundable document fee of 500 USD or equivalent convertible currency, to below Bank Accounts and upon a written application to below address with evidence of payment:

BANK/BRANCH	ACCOUNT NO:	ADDRESS:	
ADABANK/ADANA	20000013	ÇUKUROVA ELEKTRIK A.S.	PHONE: 322-2350681
IMAR BANKASI/ADANA	20002548	GENERAL MANAGEMENT	TELEFAX: 322-2350257
	SEYHAN BARAJI	TELEX: 62735 TR	
	P.O.B. 239 01322 ADANA-TÜRKIYE		

All bids must be delivered to the above offices on or before 14:00 hours Local Time, on March 29, 1994 and shall be opened at above offices of General Management.

It is essential that the Bidders shall be in conformity with the Prerequisite for Eligibility and the Bids shall be submitted in full conformity with the Bidding Documents. Other Bids shall be rejected.

ÇEAS reserves the right to accept or to reject any Bid and annul the bidding process and reject all Bids, at any time prior to award Contract, without thereby incurring any liability to the affected Bidders or any obligation to inform the affected Bidders of the grounds for ÇEAS's action.

Lothian Health

CONTINUING CARE FACILITIES FOR THE FRAIL ELDERLY AND FOR DEMENTIA SUFFERERS *IN NORTH EDINBURGH*

Lothian Health is seeking tenders for the provision and management of two sixty bed units in North Edinburgh. One unit must be situated in NORTH EAST EDINBURGH to serve the population of LEITH. The *locations proposed should* take account of the nature of the service and the needs of the residents.

It should be noted that there will be a £175 plus VAT (non refundable) charge for the specification.

Organisations interested or requiring further information should advise: Mr C Winter, Secretary, Lothian Health, 148 Pleasance, Edinburgh EH8 9RS. Tel: 031 668 3940 Ext 5719

Interested parties should apply in writing at the earliest time.

TECHNOLOGY

Della Bradshaw on how computing with a stylus could shorten trial periods for pharmaceutical companies

Delays cut at the stroke of a pen

Time is money for the international pharmaceutical companies. Delays in getting a blockbuster compound to market give rivals time to launch price-cutting imitations. Each day's hold-up can cost a drug company $1m (£600,000) in lost revenues.

As a result, the race is on to bring in the latest computer technology to cut approval times. Clinical trials in particular have been targeted by the big pharmaceutical companies.

While many big drug companies are investing in personal computers or facsimile machines, Rhône-Poulenc Rorer in the US has gone one step further. It is conducting trials with pen computers – electronic tablets reminiscent of a Victorian school slate, with a stylus or "pen" used for writing on the screen. The software is usually displayed as forms, with boxes that can be ticked or filled in.

Eventually, pen-based machines could obviate the mountains of paperwork associated with drug trials. These case record forms, completed in triplicate, can be up to 2cm thick for just one patient. A typical trial would involve three phases, with an average of 200 patients per trial.

Rhône-Poulenc Rorer, part of Rhône-Poulenc of France, is using pen computers in a trial of antibiotics, which began last December. Of the 30 to 40 sites involved, eight will be using the pen computers to duplicate the paper system. The aim, says Greg Fromell, associate director of clinical research in the US, is to assess how much quicker the electronic system could be.

Fromell sees two big areas of time saving. First, data entry – transferring the paper-based test results on to the computer – is always a "bottleneck." Data often have to be typed two or three times, introducing errors and delays. With the pen computer, information is entered on the screen and can be transferred directly to the main database.

Second, researchers lose months correcting basic errors in paper data. The software selected by Rhône-Poulenc Rorer, from the German company Padcom, helps eliminate these.

If a number is required in response to a specific question, the software will not allow the doctor to enter a letter or a tick. The software can check the birth date of the patient to ensure that he or she is of the appropriate age to take part in the study, or query information which appears to be outside the likely boundaries – unlike a paper questionnaire.

Although Fromell believes that the breakthrough has been in the creation of computers that take handwritten information, from companies such as Grid, NCR, Tandy and IBM of the US and NEC and Toshiba in Japan, he argues that it is not the hardware that will provide the competitive edge in drug trials, but the software.

With a pen computer information is entered on the screen and transferred to the main database, reducing errors and delays

At Casella, the Hoechst subsidiary in Frankfurt, clinical project manager Dieter R. Dannhorn believes it is critical to have software which can guide doctors, many of whom will be inexperienced in the use of computers, through the "form": "I need doctors who are happy with the system, otherwise I am not going to get any patients for the trials."

Casella has already conducted a short clinical trial with pen computers on 16 patients and is now planning clinical trials of an anti-fungal product involving 240 patients in 10 centres with each patient questioned three times.

Each doctor involved will receive a diskette to be completed on each patient visit. For the Rhône-Poulenc Rorer trial, diskettes will also be used to record patient information. They will be posted to the central office where the data will be entered on the database. In future the data could be sent automatically over a phone line.

While drugs companies believe it is too early to predict potential savings, Padcom's director of marketing, Peter Münzel, calculates

Drugs companies could find themselves drawn into writing much of their own software

that for a typical Phase II trial, where the drug is tested for efficacy for the first time, the savings could be more than 40 per cent. If 10 centres and 200 patients were involved over a 12-month period, with each patient visiting the doctor six times, Münzel calculates a saving of more than $205,000 out of a total study cost of $511,440, in reducing the number of queries and the need for retyping.

He argues that if pen computers were used throughout the drugs approval procedure, they could cut a month off each study. With an average of 30 studies per drug, that could cut months – or even years – off the eight to 12 years it usually takes to get a drug approved, giving companies an extra two or three years of sales of a compound before competitors flooded the market.

Not everyone is so optimistic. "The challenge is to make major improvements in a whole host of areas," says Mark Delfino, a manager specialising in information technology with the Boston Consulting Group, in Chicago. "A pen-based system per se is only a more friendly interface and an easier way of getting data. Once the data comes in, you still need a set of processes to handle it quickly."

Although pen computers save time in data entry, Dannhorn calculates that unfamiliarity with writing case study books for pen PCs means that it takes him up to five times as long to write one for a pen computer as it does for a paper-based trial.

Drugs companies could be drawn into writing much of their own software, with the need to set up expensive centres of technical expertise, adds Delfino. In addition, the cost of the hardware is "not inconsequential". He reckons it costs between $5,000 and $20,000 per site to equip trial sites with machines.

Today's pen computers are often relatively heavy and have a short battery life. So far there is no de facto operating system – some companies favour that developed by the Silicon Valley start-up Go; others prefer Microsoft's Windows for Pen Computing.

While some pharmaceutical companies have been quick to adopt pen computing, others have strong reservations. One concern is that handwriting recognition technology is still relatively primitive. "One of the biggest problems is legibility: doctors have notoriously bad handwriting," says Stephen Hill, UK medical director for Roche, the Swiss pharmaceuticals company. He fears that data could be inaccurately recorded – particularly in international trials conducted in English where English is not the first language of the doctors involved.

"One of the biggest problems is to make sure that the information we collect matches the information on the patient's records," continues Hill. If the data are entered directly by PC from the doctor's surgery to the company's main database – without intermediary checking – mistakes could slip through.

Regulatory issues are also hampering the widespread take-up of such systems. At Pfizer's UK operation in Sandwich, Kent, for example, researchers are still waiting for a pronouncement from the US Food and Drug Administration about the use of electronic signatures. With paper trials, the investigating doctor has to sign all the trial results to validate them, but there are no guidelines about electronic signatures.

In Germany, the system is even more restrictive. Although the information from the Casella trial will be recorded on screen, German law requires that the results of the trials be printed out and signed by the doctor if the trial is to be valid.

At Glaxo in the UK, researchers are experimenting with pen-based computers but believe it will be another two to three years before they can rely on them utterly. By then, says a spokesman for Glaxo, voice recognition technology – where doctors simply talk to their machines – could have made similar advances and might become the dominant technology.

Orphan quickly finds a home

Paul Abrahams on why a Japanese drug company chose a tiny market

Pharmaceutical companies have, in recent years, been concentrating on developing compounds for large markets. The cost of developing a drug with a potential market of $100m (£67m) is not much less than a $1bn one. As a result, most research and development directors have decided to concentrate on the big therapeutic categories where the rewards are likely to be greatest.

The drawback is that the large categories tend to be highly competitive and most require huge clinical trials. This takes time – an important consideration given that the patent-life is limited – and money.

Fujisawa, Japan's fifth-largest drugs group, adopted an unusual approach for its latest compound, Prograf. It deliberately developed the drug, the first new immuno-suppressant launched in 10 years, for use in liver transplants only – a relatively tiny area. There are only about 20 liver transplants a year in Japan.

The move appears strange because Prograf is crucial to Fujisawa's future. Eventually, however, the potential market for the drug is huge. The main competitor is Sandimmun, a drug marketed by Sandoz of Switzerland with annual sales of about SFr1.3bn (£600m).

Hitoshi Oyashu, managing director of Fujisawa's R&D division, says the main reason for starting with a limited indication was to obtain "orphan" status. A recent Japanese law gives priority for orphan drugs treating diseases affecting no more than 50,000 people.

In theory, orphan drugs are given:

- Priority during the ministry of health's review of the drug's safety and efficacy.
- Exclusive marketing rights for 10 years against six years for other drugs.
- Government R&D subsidies.
- Tax exemptions on development costs.

Even in the US, the review procedure was markedly accelerated by choosing such a limited indication. The compound was filed for use in liver transplants during September last year and declared approvable by an FDA advisory committee within two months. The company expects final approval this month – an astonishingly quick process. There are about 3,000 liver transplants in the US each year, according to James Capel, UK stockbrokers, in Japan.

The second great advantage of such a narrow indication according to Oyashu was that Prograf was granted a substantial price premium to existing therapies.

In May 1992, the Japanese ministry of health and welfare created a system of fixing new drug prices. The only drugs allowed significant premiums to existing therapies would be those based on a new concept, showing advantages in safety and usefulness, and making a "striking" contribution compared with conventional treatments. Prograf is the only drug to have fulfilled those criteria since the rules were introduced.

In the meantime, the company is using the wedge of the liver transplant indication to gain approval for kidney transplants, and eventually other auto-immune diseases such as eye disorders, Paget's disease and arthritis. The company hopes to have approval for kidney transplants in Japan during the second quarter of this year. In the US, it hopes the drug is approved by the fourth quarter of 1996.

Industry consultants say the market for Prograf is already much larger than might be imagined. Once a drug is approved, doctors prescribe it for other indications even though it might not be strictly licensed for them. That helps with later marketing. Another advantage is that once the drug is in use, regulatory authorities become less concerned about safety, leaving the company free to prove efficacy. This speeds up subsequent approvals.

However, the R&D director of one of Japan's big groups says the advantage of high pricing only lasts when the indication is narrow.

Concert

Schumann and friends

Evidently somebody at BMW has a sense of humour. In the week that the company surprised many observers in the car industry by revealing itself as the buyer of Rover, it was also playing a game of hidden identities with London concert-goers at the Barbican.

The English Chamber Orchestra is giving seven concerts in its spring season at the hall, each of which includes a mystery item. The audience is invited to guess what the pieces are and the overall winner gets a prize to the tune of £1,000, sponsored by BMW (GB) Ltd. Of recent marketing ploys, this is undeniably the most novel, though if its aim is to win audience loyalty for the series, attendances were not encouraging.

The "Schumann and friends" series incorporated four orchestral concerts. Each included one of the four Schumann symphonies, paired with some shorter pieces by his contemporaries. This was an interesting period, when some composers still felt an allegiance to the musical language and forms of the classical period, while others were taking flight into the boundless skies of romanticism.

Of all Schumann's "friends" Berlioz was the most fully liberated. On Friday Ann Murray sang his *Nuits d'été* with delightful poise, shaping long and liquid phrases where most singers need to stop for breath. These seemed to be carefree summer nights, warm but not sultry, cooled by a light breeze. The most imaginative performances venture beyond that.

The striking orchestral sonorities that Berlioz imagined were largely smoothed over by the conductor Raymond Leppard, which was to prove his style throughout the series. Any music that gained from lightness, fluency, dancing rhythms fared well; where a score asked to be probed more deeply, its demands were likely to be passed over. Mendelssohn's concert aria "Infelice", well sung by Murray, kept its drama strictly within bounds.

As an archetypal early 19th-century composer, Schumann himself looks both backwards and forwards. The fourth movement of the "Rhenish" Symphony, inspired by a visit to Cologne Cathedral, harks back to the solid, Teutonic counterpoint of Bach and Buxtehude. A freer work like the Fantasie in C for violin and orchestra opens its arms to embrace romanticism. At Saturday's concert Leonidas Kavakos played the Fantasie with sweet tone and threw in some spectacular technical feats in Paganini's "Le streghe" variations for good measure.

The Schumann symphonies (Nos 2 and 3 at these concerts) went according to form. After performances by full-scale symphony orchestras which inevitably sound heavy, Leppard's springy, light-on-its-feet style was welcome, even while one was wishing that he would dig into the music more. The ensemble was not spotless, but the ECO can still field first-class soloists. Neil Black and Thea King, oboe and clarinet, made the Second Symphony's Adagio unadulterated pleasure.

Richard Fairman

Betrayed by the system

When it comes to teaching students how to draw we have been led astray by Tom, Dick and Harry says **William Packer**

The idea of taking life drawing into secondary schools would seem as unexceptionable and high-minded as could be; and where better to celebrate it than in the Fine Rooms of the Royal Academy of Arts, bastion of the disciplined and objective study of the model? Since 1989, the Outreach Programme of the Academy's Education Department has been sending graduates of the Academy Schools into secondary schools around the country, to conduct day-long workshops (modern teach-speak) in life drawing.

There is no doubting the sincerity of all those involved in the programme, nor that, at the most basic level of interest and engagement, some good has come of it. The children range, as the schools themselves decide, from A Level and art school aspirants to those who might never consider the art class to be anything but a good skive, and all are worked extremely hard. Once the initial shock at being confronted by the nude figure has worn off, that too proves salutary – for we all have our bodies to live in, and to look out at the model, unsentimentally and unsalaciously, is only to look at ourselves.

So far so good, and on first sight the drawings now at the Academy seem full of expressive life and energy. But when we look again, what else is there to see but expressive life and energy? The truth begins to dawn that what we confront is not the fruit of study at all, but of therapy made up to pass as study. A great deal may well have been felt – of sympathy, excitement and release – in the making of these drawings, but what has been learnt? And if learnt, what remembered? Where is information that is actually retrievable, usable?

What is so saddening is that here we might have had a programme that began at last to address the heresy that has betrayed art education at all levels these past 30 years. Instead we have its wholehearted embrace. Do your own thing. Express yourself. Be an artist. Have Fun – but if it requires any technical discipline or detached and objective critical consideration, above all if it is difficult, don't bother.

The game is given away at the start in an introductory display which offers a glib travesty of the argument. A few dim and tired examples of the Victorian academic life school are set up, stump and smudge, to show the bad, dull old ways. There is nothing of Augustus John, or Sickert or Tonks, in the great Slade tradition of life drawing. Instead, in straight comparison, oh brave new world, sit those heroes of reform, Victor Pasmore, Tom Hudson, Harry Thubron and Richard Hamilton, whose example and polemic led directly to the reformation of the art schools in the 1960s.

Chapter and verse are given in the catalogue. Right up until 1964, the last year of the old public examination for the National Diploma in Design, the study of the figure was the central discipline of the art school. "The nude and costumed figure is studied in a variety of poses", runs a Ministry report of 1950. "These usually last a full day, but frequently short poses, action poses, or . . . poses sustained during two or three days are substituted, so that the student becomes familiar with the figure under a variety of conditions. By these methods allied to a thorough study of Anatomy it is hoped to equip the student with a sound working knowledge of the human figure and a technique adequate to its expression." So it did.

"This limited interpretation of drawing survived until the 1950s", the catalogue goes on. But then our Tom, Dick, Harry and Victor, all intelligent men but manifestly indifferent draughtsmen, knew better. "They engaged the student in processes of drawing which were exploratory and analytical, as well as expressive. The figure was no longer viewed as a static object to be pinned down and delineated. It was a living, complex form which could only be approached in an 'open' and 'questioning' manner. Drawing became . . . a dynamic sequence of mark-making which . . . proposed certain ideas about form . . . The eye searched intently . . . the mind explored . . . There were no prescribed 'answers' . . ." Ah. There we have it. No answers. Drawing at last as exploration and analysis, open and questioning – but no answers.

When I look back on my own unreformed days and weeks in the life room, confronted by that fellow human being in living space, whose form in all its subtle articulation had somehow to be rendered credibly and intelligibly onto the flat surface of the board, I remember no simple descriptive exercise, no "pinning down and delineating". There were relationships to measured, shifts, balances and tensions sympathetically to be felt and understood, and a hand to be disciplined into making the marks that eye and brain required. Analysis, exploration, discovery, expression? Of course. And discipline, and technique?

And here are these eager children on their hands and knees, paper on the floor, model on the move and nothing in fixed relation to anything else, to be analysed or explored, let alone expressed. But who is there now to teach them, show them how, and make them do it? They deserve more than this.

Lessons in Life: Royal Academy of Arts, Piccadilly W1, until March 12; sponsored by Midland Bank

One of the promising student drawings at the 'Lessons in Life' exhibition at the Royal Academy

How it should be done: a pen and wash drawing of a female nude by Augustus John

Bedlam and bravery in Spring Collection

Clement Crisp finds dancers lurking round car bonnets and cranes, wheelchairs, and Indian tradition in transition at The Place and the South Bank

La danse, it says on the programme cover, *c'est une déclaration d'amour*. It is ninny-ish aphorisms like this which make me want to see heads on spikes outside The Place and the concrete hell of the South Bank. These were the weekend locations for an introductory tasting of "British independent dance" being offered to audiences that included delegates from hither and European yon, in what I take to be a marketing exercise.

And what, I wonder, did they make of "independent dance" that involved Bharata Natyam in transition, wheelchair performers, inept feminism, Hare Krishna posings, and messages about social identity? I saw three of seven performances on offer – *La danse* is also a declaration of stamina – and my comments are a first report on a burst of activity which occupies The Place for the next twelve weeks. (One item will be concerned with "guilt; three men and a five metre steel crane". The crane, I trust, has passed the age of consent).

Friday night's opening seemed a fair enough sample of the problems – aesthetic and technical – that face our dance adventurers. Both Ben Craft and Gary Lambert are strong dancers. Their jointly-made *Cold Ground Drifting* – titles are obscurantist, and so is much of the dancing, in these affairs – finds four dancers lurking around structures made of car-bonnets. Nothing much happens, though there is an air of menace to the piece, and the technical skills on view are fine. About Yael Flexer's *Dot . . dot . . dot* it needs just to be said that a small but stalwart girl dancer badgered a tall male violinist. The parent company is called "Bedlam". Enough!

Two other pieces touched on ethnic identity. Jacob Marley tells us in *British Jungle Dances* that his parents were white and he was black, and he feared that he might be sent back to the jungle. The surprising result, given this statement, is a suite for Union Dance which is elegant, supple – movement curves in and out of gesture and pose – and very attractive as it responds to sophisticated African songs.

Shobana Jeyasingh's *Romance, with Footnotes* was, by contrast, worthy, dull. Indian dance is in transition here – an inevitable development as women's identities change in society – and I longed for more of the bravura stampings and transcendent rhythms of Bharata Natyam, and something less compromised by clichés of modern dance.

Saturday afternoon at the Purcell Room began in fine style with Mark Balwin's realisation of Poulenc's *Soirées de Nazelles*. Baldwin appeared as a guiding participant, with two excellent colleagues – Sara Matthews and Lee Boggess. His manner is oblique, and the score becomes an excuse for dances that touch slyly on the game of flirtation. Underneath the mocking there is sincerity, and though I found Baldwin's own stage persona somewhat petulant and limp-limbed, the piece is neat, off-beat, welcome.

The rest of the afternoon was a vexation to the spirit. About Emilyn Claid's *Virginia Minx at play* I note simply that Miss Claid's performance was laboured in mime and stratospherically winsome, and that it was too soon after lunch to sit through such behaviour. (Frankly, it was too soon after the Big Bang). She was aided and abetted by Heather Joyce, who played the saxophone and keened. There was a soundtrack by Sylvia Hallett hideously right for the event.

The closing *Corpus Antagonus* was made by the admirable Russell Maliphant for Ricochet Dance. Two men, three women, with apricot outfits and sub-Hindu manners, looked like five characters in search of an Ashram. There were slow curvings and coilings, the ringing of tiny bells and jolly drummings, and the suspicion that someone somewhere was looking for a *Swami*. As the piece reached its climax, the bodies collapsed and curved onwards in thrilling fashion, but the sum effect was oddly dated – something lost on the hash-route to Katmandu and enlightenment in the 1960s.

The day closed with Candoco, a company which unites wheelchair performers and able-bodied dancers, at the Queen Elizabeth Hall. I admired the troupe last year, and hoped that they might expand their activities with new choreographies. The first part of their programme showed this in a trio for Celeste Dandeker, chair bound, Adam Benjamin and Kuldip Singh-Barmi, made by its players, which spoke of love, reliance, pain, in vivid movement terms, not least in Dandeker's potent gestures.

Equally good was a duet by Jodi Falk for David Toole who, without legs, is yet a vital performer, and Singh-Barmi. The dance explores mobility, response in partnering, perspectives on the world. I thought it brave, uncompromising. So, too, a study by Siobhan Davies to a Gavin Bryars' string quartet. Davies has seized on the possibilities of wheelchair movement – gliding speed – and the emotional interplay possible between physical freedom and constraint.

The result is a subtly compelling view of what Candoco can do as artists. Yet everything that these three works established about the company – dignity, handicaps rejected, art born of difficulty – was destroyed by the final offering, Emilyn Claid's *Back to Front*, staged in collaboration with the cast, and set to a raucous accompaniment by Andrew Deakin.

Vulgarity, cheap jokes, gimcrack sexuality and gratuitous violence, made the performers look what they certainly are not – objects for prurient gaze, and for the inane laughter the audience gave them. It is wholly unworthy.

Spring Collection is supported by Northern Telecom Europe

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight, Fri: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in works by Brahms, Bruch and Wagner, with violin soloist Igor Oistrakh. Tomorrow: Teresa Berganza song recital. Thurs, Sun afternoon: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Hindemith, Diepenbrock, Honegger, Stravinsky and Rakhmaninov. Sat afternoon: Michael Gielen conducts Radio Philharmonic Orchestra in Schreker, Birtwistle and Suk, with piano soloist Joanna MacGregor. Sun evening: Antonio Pappano conducts Orchestra and Chorus of the Brussels Monnaie in concert performance of Verdi's Otello, with Alexei Steblianko and Charlotte Margiono (020-671 8345)

Beurs van Berlage Sat: Ward Swingle directs Netherlands Chamber Choir in a programme entitled Swingle and Berio. Sun afternoon: Abdel-Rahman El-Bacha plays Beethoven piano sonatas (020-627 0466)

Muziektheater Tomorrow, Sun afternoon: Hartmut Haenchen conducts Willy Decker's production of Wozzeck, with John Bröcheler and Marilyn Schmiege (in repertory till Feb 24). Fri: first night of Dutch National Ballet mixed bill, choreographies by Petipa, Tetley and Massine, in repertory till March 2 (020-625 5455)

■ ANTWERP

deSingel Tonight, Thurs, Sat: Prazak Quartet plays string quartets by Smetana, Dvorak and Janacek. Feb 11, 18, 25: Steve Lacy, jazz saxophonist. Feb 15: Christian Zacharias plays Beethoven. Feb 19: concert performance of Verdi's Otello (03-248 3800)

■ BASLE

Stadtcasino Tomorrow, Thurs: Horst Stein conducts Basle Symphony Orchestra in Dutilleux's Tout un monde lointain (cello soloist David Geringas), plus works by Borodin and Liszt. The orchestra has an open rehearsal today at 7pm, at which Dutilleux will speak about his music (061-272 1176)

■ BRUSSELS

Palais des Beaux Arts Tonight: Philippe Herreweghe conducts La Chapelle Royale and Collegium Vocale in a Mendelssohn programme. Thurs, Sat: Antonio Pappano conducts Orchestra and Chorus of the Monnaie in concert performances of Verdi's Otello, with Giuseppe Giacomini in title role (repeated in Amsterdam Feb 13, Paris Feb 15, Charleroi Feb 18 and Antwerp Feb 19). Thurs (Conservatoire): Mikhail Pletnev piano recital. Fri: Alexander Rahbari conducts Belgian Radio Orchestra in works by Wagner and Bruckner. Feb 16: Olaf Bär song recital (02-507 8200)

Lunatheater Missa e Combattimento, Judith Weir's adaptation of Monteverdi, opens on Sat in a production conducted by Anne Manson and staged by Astrid Vehstedt. Repeated Feb 13, 15, 17, 19 (02-218 1211)

■ CHICAGO

MUSIC

● Radu Lupu is piano soloist with Chicago Symphony Orchestra on Thurs, Fri afternoon, Sat and next Tues. The programme, conducted by Daniel Barenboim, consists of works by Beethoven and Schoenberg. Yevgeny Svetlanov conducts Russian State Symphony Orchestra on Mon (312-435 6666)

● The final two weeks of Chicago Lyric Opera's season are devoted to La traviata, Wozzeck and Tosca. June Anderson stars in the Verdi. Wozzeck is a Barenboim-Chéreau production with Franz Grundheber and Waltraud Meier. Tosca is sung by Maria Guleghina (312-332 2244)

THEATRE

● The Don Juan Project: eight takes on one of literature's most famous rakes - from Shaw's Don Juan in Hell to a new feminist revision. Till March 6 at Baliwick Repertory (312-327 5252)

■ GENEVA

Victoria Hall Tonight: Mikhail Pletnev piano recital (022-310 9193)

Grand Théâtre Tomorrow, Sat, next Tues and Fri: Fidelio with Catherine Malfitano and Thomas Moser. Sun: Samuel Ramey song recital (022-311 2311)

■ THE HAGUE

AT&T Danstheater Tonight, tomorrow, Thurs, Fri, Sat: My Fair Lady, the Lerner and Loewe musical sung in English (070-360 4930)

Dr Anton Philipszaal Tomorrow: Dufy Quartet and friends play works by Copland, Stravinsky and Britten. Thurs: Blanca Uribe piano recital. Fri: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Honegger, Stravinsky and Rakhmaninov. Sat evening, Sun afternoon: Jerzy Maksymiuk conducts Hague Philharmonic Orchestra in Cherubini, Mozart, Dvorak and Tchaikovsky, with violin soloist Thomas Zehetmair. Next Mon: Jean-Jacques Kantorow conducts Netherlands Chamber Orchestra in Arensky, Shostakovich and Borodin (070-360 9810)

■ VIENNA

Staatsoper Tonight and Fri: Tosca with Maria Ewing, Sergei Larin and Renato Bruson. Thurs: annual opera ball. Sat: ballet mixed bill. Sun next Wed: L'elisir d'amore with Alfredo Kraus. Mon: Il barbiere di Siviglia. Feb 20, 24, 28: Lucia di Lammermoor with Edita Gruberova (51444 2955)

■ WASHINGTON

● Jesus Lopez Cobos conducts National Symphony Orchestra in works by Ginastera, Bruch and Schumann on Thurs, Fri and Sat at Kennedy Center Concert Hall. Minnesota Orchestra gives a guest concert with Edo de Waart on Sat at 5pm. Isaac Stern and friends give a recital next Wed (202-467 4600)

● Washington Opera presents Ariadne auf Naxos and Dominick Argento's The Dream of Valentino this week at Eisenhower Theater, and then takes a two-week break (202-416 7800). Feb 17, 18, 19: Washington Ballet. Feb 22-26: Paul Taylor Dance Company (202-467 4600)

● James DePriest conducts Baltimore Symphony Orchestra in popular overtures on Fri, Sat and Sun afternoon at Baltimore's Joseph Meyerhoff Symphony Hall (410-783 8000)

THEATRE

● Shakespeare for My Father: Lynn Redgrave's award-winning solo show in which she uses the Bard to better understand her late father, Sir Michael Redgrave. Till Feb 27 at Ford's Theater (202-347 4833)

● Missa: world premiere of Richard Washer's play, set in Alabama and South Africa, about a journalist's efforts to expose a woman's earlier role in racial violence, while struggling with his own ghosts. Till Feb 26 at New Works Theater (703-524 7672)

● A Small World: world premiere of Mustapha Matura's comedy-thriller with magical coincidences. Opens at Kreeger Theater on Fri (202-488 3300)

● The Price: Arthur Miller's drama about a family facing the price of life's choices and the need to communicate and confront feelings. An outstanding production directed by Joe Dowling. Till Feb 27 at Arena Stage, Kreeger Theater (202-488 3300)

● Gilbert and Sullivan are Alive and Well: a new musical revue combing G&S songs with current events. An Interact Theater Company production at Omni Shoreham Hotel (202-745 1023)

■ ZURICH

Opernhaus The main event this month is a new production of Handel's Alcina, staged by Jürgen Flimm and conducted by Nikolaus Harnoncourt, with a cast including Eva Mei and Rodney Gilfry (next performances tomorrow, Fri and Sun). Repertory includes Die Zauberflöte and Glazunov's ballet Raymonda. Alban Berg Quartet gives a recital next Mon (01-262 0909)

Tonhalle David Zinman, the Tonhalle Orchestra's principal conductor-elect, conducts four concerts this week, featuring works by Haydn, Stravinsky and Schumann. Maurice André is trumpet soloist with Zurich Chamber Orchestra on Sat and Sun (01-261 1600)

Hallenstadion Placido Domingo gives a popular concert tonight, accompanied by Berne Symphony Orchestra (01-212 0800)

Theaterhaus Gessnerallee Feb 18-26: Peter Brook's English-language production of The Man Who, based on the book by Oliver Sacks (01-221 2283)

ARTS GUIDE

Monday: Berlin, New York and Paris.
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Friday: Exhibitions Guide.

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FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Lisa Wood on partnerships to spur UK economic development

Many into one will go

For the past two months the telephones have been ringing almost non-stop at Kent County Council. Inquiries are pouring in about a radical plan to transform the way publicly funded support for business is delivered within the county.

In the first proposal of its kind, the council would merge its £3.5m-a-year economic development unit – which provides support for business – with Kent Training and Enterprise Council, one of 82 private sector-led bodies in England and Wales established by the government to improve the nation's skills. This trail-blazing plan would mean the public sector handing over its roles as a promoter of inward investment and physical regeneration to the private sector.

The merger, promoted by Sir Alastair Morton, co-chairman of Eurotunnel and chairman of the Tec, is not yet assured, though agreement has been reached in principle and a new chief executive chosen. Tough negotiations on a host of prickly issues remain – such as the extent of elected councillors' influence in setting future economic priorities.

While the boldness of Kent's approach has sparked intense interest, it has also highlighted the less vigorous attitude towards partnership between the public and private sectors displayed by many county councils and Tecs. A recent report by Professor Robert Bennett, of the London School of Economics, said Tecs appeared generally to be "floundering in the field of economic development".

When the government set up the Tecs and 22 Local Enterprise Companies, their Scottish equivalents, in 1991, the aim was to bring greater cohesion in delivering aid to local business. The Tecs, which also administer government training programmes, would establish partnerships with public sector and other local bodies to spearhead a grassroots industrial strategy.

So far the achievements are modest, though some Tecs have devised imaginative schemes. Devon and Cornwall, for instance, has set up a West Country Development Corporation, a public-private partnership designed to produce an overview of economic needs.

This example is the exception rather than the norm. So what is to be done? "Some incremental changes are required, learning from the lessons of the first three years," said Mr Howard Davies, director-general of the Confederation of British Industry, which has presented its own shopping list of reforms. Two problems identified by the CBI were:

- Inflexible and bureaucratic budgets. The government earmarks most of the Tecs' £2.8bn a year of funding for set programmes involving training the unemployed, stimulating in-company training and fostering economic development. Tecs are unable to tap certain funds if they do not meet the precise terms and conditions of the contract.

The budget issue could be addressed over the next few months. Tecs are set to go into battle with the government over funding – and some say they could sustain budget cuts if they had more flexibility.

- Confusion about the Tecs' mission and role. Several government departments work with Tecs and there have been confused and conflicting messages over priorities. The government has said Tecs should pay more attention to their enterprise role – but such activities only command a small part of their funding.

The government may be going some way to addressing this problem. From April, two institutional changes could have a significant impact on Tecs and their role in local economic regeneration.

First, 10 Integrated Regional Offices (IROs) are to be created, combining the local departments of environment, transport, employment and trade and industry. The intention is to bring coherence to government programmes at regional level.

Second, as part of this change, 20 existing programmes for regeneration and economic development will have their funding pooled within the so-called single regeneration budget, to be administered locally by the 10 IROs. According to Mr David Hunt, employment secretary and the Tecs' main paymaster: "The old patchwork quilt of initiatives will become, as it were, a seamless duvet at the local level."

For the first time, bodies that traditionally bid for regeneration funds, such as local authorities, will be obliged to involve the private sector – in other words, the Tecs. Mr Hunt said last week: "We need to see effective local partnerships coming forward to take full advantage of the potential these new developments have for local regeneration. These partnerships will only succeed in winning funding for their initiatives if the private sector is fully involved."

How effective the changes will be in co-ordinating local economic plans remains a moot point. But big opportunities are being offered to those Tecs most able to define their contribution – for instance, how many young people they can retrain to work on a construction project.

Demonstrable progress will be slow, however. For while the government trumpets that the total amount of the single regeneration budget in 1994-95 will be £1.4bn, only £100m has not yet been allocated.

Mr Hunt announced a second big shift by the government, which last week gave the green light to Tecs which want to merge with chambers of commerce. Mergers between the two organisations was one of the main recommendations of Prof Bennett's report. Not only could they result in fewer turf wars over the provision of services, they would also provide Tecs with broader access to the business community.

Counties such as Kent could point the third way forward at a time when local government reorganisation is prompting a rethink of many council services. "The Tec can provide stability at a time of change," said Sir Alastair Morton. "Together we can develop quite a formidable development agency."

But are such changes enough to strengthen local economic planning? Mr Amin Rajan, an employment consultant who recently completed a study of Tecs, said: "The government probably thinks it has done enough to create a climate in which better partnerships can be made. But, there are still question marks over whether that will be sufficient. There is a lot of ground to be covered before all the local players reach agreement on who does what."

The proposed Kent merger, and the fact that Tecs may start to merge with chambers of commerce, indicates a willingness for public and private sector to work more closely together. But the relationships will take time to formulate, and the integration of local economic planning could be frustrated unless the inflexible conditions attached to Tecs' funding are loosened and they acquire more freedom to act where and how they see fit.

Joe Rogaly

An island swathed in fog

Britain's relationship with both Europe and the US should be rethought. It is inchoate, unstructured and in danger of becoming ineffective. These strictures do not apply to Bosnia alone, although our record there, right up to yesterday's belated consideration of air strikes, is to say the least inglorious.

The problem lies much deeper than in the tragic rubble of former Yugoslavia. There is a need to reconsider UK foreign policy as a whole. For the foundations upon which it has rested for the past half-century have begun to crumble. We have no empire, no European identity and no special relationship. The Commonwealth has become a quaint memento of times past. We are neither securely at the heart of Europe nor reliably in the hearts of Americans. Fog has once again begun to obscure the view across the Channel. Worse, it has lately begun to cover the Atlantic.

Look east first. The government will fight this summer's elections to the European parliament on a platform constructed with the single purpose of preserving the unity of the Conservatives. Never mind the precise phraseology; what will be conveyed to the voters is that the formerly proud party of Europe is, for the time being, the party of doubts about Europe. This is not in itself wicked. There is a respectable case to be made for reducing the power of the Brussels Commission, promoting the devolution of as many functions as possible to the nation states, and facilitating enlargement of the union until not only the Scandinavians and Austria but also the former colonies of the former Soviet empire are included.

In negotiating and subsequently ratifying the Maastricht treaty, Mr John Major skilfully rehearsed arguments in favour of all these propositions. The prime minister did so well that the manifesto of the Liberal Democrats, to be published this morning, talks of a "democratic, decentralised and diverse Europe" with heavy emphasis on the transfer of powers from Brussels to national, regional or local authorities. Mr Major did not quite take up the latter point. In the Tory mind, subsidiarity stops at Whitehall. To the two opposition parties, if devolution is good for Brussels, it is even better for London. There is also a difference of language. The Lib Dems are quite happy to describe their proposed structure as "federal". With luck, this will infuriate Conservative nationalists and Euro-sceptics. They fear this quintessentially European word.

> **The recent outbursts of xenophobia will diminish Mr Major's administration in American eyes**

There is of course another, possibly larger, Conservative faction. Tory Christian Democrats favour active participation in whatever is happening on the continent. The most articulate member of this grouping is the trade and industry secretary, the chap some are beginning to tip for another run at the office of prime minister. In *The Challenge of Europe*, published in 1989, Mr Michael Heseltine observed that "there are those who fear that in moving closer to Europe, Britain will lose her identity. On the contrary, I believe that within Europe she will find a much greater one." We must, he concluded, "persuade ourselves that Britain's national interest will be served only by the determined building up of a stronger, closer Community". Will Mr Heseltine campaign on such a basis now?

Somebody has to. Mr Peter Lilley, a usually intelligent cabinet minister, has derided selected European nationals as social security scroungers. Mr Michael Portillo, another, has said that all foreigners cheat in their exams. He has made this absurd remark more often than his apology accounts for. He should watch out. Single injudicious speeches killed the leadership hopes of two previous Tory liberals of his stripe – the then Sir Keith Joseph and the unfortunate Mr John Moore. A British government that aspires to be influential on the continent should not allow such silliness to continue. The question is whether Mr Major has the political strength to put a stop to it. The omens are not good. Britain's present attitude to the European Union is, shall we say, uncertain. Are all Europeans corrupt, centralising bureaucrats, scroungers and cheats?

Now look west. The recent outbursts of xenophobia will diminish Mr Major's administration in American eyes. This is of greater significance than last week's diplomatic flurry over the admission of Mr Gerry Adams to the US. To be sure, it appears that there is no love lost between President Bill Clinton's gung-ho young entourage and the Tories, but that is not of historic significance. The important point is that Britain's objections to the Adams visit were well understood, and found to be of less weight than immediate domestic politics. This may have been an example of either turpitude or ineptness in the White House, but it is nevertheless telling.

The US is becoming more concerned with Pacific than European affairs. When it does focus on the old continent, it looks for strength and finds it in Germany and France. It seeks allies with an aspiration towards European union, which it does not discern in London.

During most of the 20th century Britain has been adept at juggling alliances, making friends and influencing events – in foreign office language, "punching above its weight". It is something English diplomats traditionally do very well. The consequent remnants of the glory years are often recounted. Britain remains a nuclear power, although to what diplomatic advantage is unclear. It still has its seat on the Security Council, although few prudent punters would bet on it retaining this for another decade. It is in Nato, although what that organisation is for is unclear. It remains in the Group of Seven, several many-alphabeted European bodies and, until 1997, Hong Kong. None of this counts on its own. Britain's ability to influence events depends upon its skill at making bilateral alliances, here with the US, there with the French, there again with the Germans.

Since the end of the cold war most politicians in most countries have been confused about foreign policy. The disorientation of Britain's perception of its global purpose is doubtless reflected in equivalent debates in Washington, Bonn and, would the French but admit it, even Paris. But the others have intellectual anchors. The US has the obligations of a superpower; continental Europeans their grand design. Britain has only uncertainty. It must think again.

LETTERS TO THE EDITOR

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Waste is the price we have to pay

From Professor R.H. Jones.

Sir, John Willman came close to summarising the current state of the public services in the UK ("Tidal wave of dirty water", February 5) but was diverted from the crucial point.

Everyone involved in implementing the radical changes of recent years knows that, *by their nature*, they have increased the opportunities for waste, extravagance and fraud. Everyone involved also knows that the changes have, by contemporary criteria, improved the management of some parts of the public services.

What no one yet knows is whether the improvements will be enough to compensate for the increased fraud. It is this ignorance that has created so much resentment. In the absence of any evidence that the changes would be beneficial, we had no choice but to have blind faith in zealots.

Talk of stemming the flow of dirty water, by briefing managers better, is double-talk. The only ingenuous response to the tidal wave is for the policy-makers, Canute-like, to demonstrate openly that nothing can be done.

This hardly seems likely. But it does not alter the fact that waste, extravagance and fraud are part of the price we will necessarily continue to pay.

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Jargon adds to the meaning

From Mr David M. Carlile.

Sir, While we should applaud Lucy Kellaway's tirade against the murky bathwater of management jargon ("Time to walk the talk", February 4) please mind the baby. She is wrong to sneer at companies which have partners rather than suppliers: partners is a plain word, and companies which turn ordinary suppliers into partners enjoy a cost and quality-effective business relationship.

A workforce which "buys into" a new initiative does much more than accept it. The commitment which comes from the involvement of the workforce makes that initiative work, whereas mere acceptance does not. By all means find a more felicitous phrase, but do not lose the sentiment.

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Slovenia offers role model for Ukraine's links with Russia

From Mr Henry Owen.

Sir, In your editorial, "Europe's next flashpoint" (February 3), you suggest the relationship between Germany and Austria as a model for the future relationship between Russia and Ukraine. The analogy escapes me. These two countries are totally independent from each other, linked now only by the schilling being tied to the D-Mark. We should be able to do better than that.

A better analogy for future Russian-Ukrainian relations is the Austrian-Slovenian relationship. For most of its history, Slovenia was a small and prosperous part of Austria. Now it is independent, and the two peoples can cross back and forth across their border without a passport – feeling perfectly at home in either land. Slovenia is a democratic, prosperous and progressive country. Its economy is thriving. The two countries are closely linked, on a basis of mutual respect.

If Ukraine can evolve in the same direction vis a vis Russia, it will be doing very well indeed.

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Rover: the cultural cost

From Ms Elsa Ducker.

As someone involved in Anglo-Japanese cross-cultural training, I am appalled by the lack of sensitivity of Britain's captains of industry, politicians and the media with regard to the Japanese position in the disastrous affair of the BMW acquisition of Rover.

The differences in business and cultural practices between Japan and the west are significant, and our training centre is evidence of the Japanese commitment to trying to understand the way in which we operate. This sensible business strategy is obviously unmatched by the British, who continue to operate with typical British arrogance and short-termism.

From a Japanese perspective it is inconceivable that a 15-year relationship of mutual help and successful outcome, coupled with an "in principle" or "gentleman's" agreement, would be ignored. From British Aerospace's perspective, the Japanese negotiation and discussion making process, so different from ours, may have been misunderstood for lack of urgency and interest.

The government, caught between the EU and a desire for Japanese inward investment, did nothing, despite having spent years showing off about British success in attracting Japanese funds. Lord Young chose instead to tell us we should be proud of being used as cheap labour by the Germans.

Nobody is seriously discussing the appalling economic, political and diplomatic implications of what is probably a result of culture clash but will become an unforgettable cautionary tale in Japan.

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Romantic view of cloning

From Dr Simon L. Goodman.

Sir, Professor Robert Edwards accepts (Private View, January 29) that molecular biology cannot address problems such as "brain" and "intelligence" – but objects to "cloning" of existing or dead people. But human clones have always been with us. Identical twins are clones. At the two-cell stage of embryogenesis the embryo splits and the two cells implant individually.

Yet no one is suggesting that identical twins are sinful or ethically unsound. So cloning is OK, as long as it is natural. New-age romanticism raises its head again.

People love to protect their individuality, but the sad biological truth is that we are to all intents and purposes identical. Even something as odd as a gorilla or chimpanzee is better than 99 per cent identical to us at the molecular level. We are simply tuned to recognising very small differences.

Presuming we could artificially clone people, a genetically identical group of humans would not be identical *people*. No more would Einstein's monozygotic brother Ben (had he had one) have simultaneously discovered the theory of relativity with Einstein himself.

To pick the classic example, a re-cloned Hitler would not, in the absence of outside influences, be likely to paint houses and hate Jews, Slavs and gypsies.

The environment makes the person. The genes simply make the structures which respond to the environment.

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Reward only demonstrated talent

From Mr Julian Burnett.

Sir, Executive remuneration has been put firmly back in the public eye. At the heart of this subject lies the need to understand what executives are there for. As Edward Lawler suggested (Management: "New logic is here to stay", January 28), the value that people add justifies their pay.

Executives need to add to shareholder value – hence Reuters' scheme ("Pioneering package from Reuters", February 1). Unless executives' rewards are tied to the quality of their decisions in satisfying this need, we should not be surprised that they can earn more money while company performance stagnates or declines.

PA Consulting Group's recent survey on executive rewards found that chief executives who actively subscribe to the notion that executive pay should be closely aligned to shareholder interests are from companies with a market to book ratio 50 per cent higher than those where shareholder interest is not a significant determinant of executive pay. Other results from the survey indicate the simplistic orthodoxy of "paying the market rate" goes hand in hand with significant under-performance.

Shareholders should only pay for demonstrated talent, not the hope or illusion of talent. Such talent makes the best choices in the allocation of the company's financial, human and technological resources. The tragedy is that good executives have inadequate incentive to utilise their talents to the full.

Executive remuneration will remain a hot potato until it is firmly based on demonstrated added value. Something-for-nothing share options and other paraphernalia of the current orthodoxy do not satisfy this criterion.

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FINANCIAL TIMES

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Tuesday February 8 1994

Arms and the dam

The full story behind Britain's decision to give £234m in aid to help build a controversial Malaysian dam has not been divulged. But there have been sufficient revelations to raise concerns over the government's enthusiastic promotion of the arms trade, the use of its aid budget and the apparent willingness of ministers to override their own guidelines.

Ministers continue to deny a formal link between aid for the Pergau hydro-electric dam and a contemporaneous £1bn arms deal with Malaysia in the late 1980s. But Mr Douglas Hurd, the foreign secretary, has been forced to admit that the original protocol for the arms deal referred to "aid in support of non-military aspects". Though the Malaysians were later told that aid could not be formally linked to military sales, the fact that parallel talks continued on arms and the dam makes it hard to believe that there was not an informal connection.

Linking aid to military sales might not be against British law. But it would contravene government aid guidelines which ban such *quid pro quos* and similar international guidelines drawn up by the Organisation of Economic Co-operation and Development.

Moreover, quite apart from the apparent link between the Pergau project and the arms deal, it is already clear that the aid guidelines have been breached. This is because grants under the UK's Aid and Trade Provision are supposed to be used only for economically sound projects. Ministers were warned by Sir Timothy Lankester, then permanent secretary at the Overseas Development Administration, that the Pergau dam was uneconomic and would lead to Malaysian consumers paying more for their electricity.

Ministers have justified their behaviour on the grounds that they were promoting Britain's interests. Mr Hurd has said he pressed ahead with Pergau because a commitment had been given by Lady Thatcher, who negotiated the arms deal when prime minister. To renege on the contract would have been "very damaging to trade".

Similarly, Lord Younger, defence secretary at the time, has said: "Great Britain plc has come out of all this very well." Not only has Britain's defence industry profited out of the £1bn arms deal. Other industries have won contracts with Malaysia, following the country's reversal of its decade-long "Buy British Last" policy.

Two Commons committees are now investigating this affair. Part of their goal will obviously be to dig out the facts. Was there a formal link between the arms deal and aid for Pergau? Have ministers misled parliament? Is there any connection between the Pergau affair and allegations that the government suppressed evidence in a criminal case against a Malaysian banker to prevent embarrassment to the Malaysian government? Why was the Malaysian government so keen to press ahead with the Pergau project given that it was uneconomic?

Yet MPs should not stop here. They must also debate the issues of public policy. How enthusiastically should Britain be promoting arms exports? Should the aid budget be used to boost even non-military exports? Would it be better to have a separate "slush fund" explicitly devoted to promoting exports or would even that be a waste of taxpayers' money? What, in fact, is the purpose of the aid budget? If the Pergau dam affair leads to honest debate of these questions, it will have served a useful purpose.

Northern front

Mr Martti Ahtisaari was elected president of Finland on Sunday. His experience as a senior UN diplomat should come in useful at a turning-point in Finnish foreign policy.

If all goes well, Finland will be a member of the EU next year. Like two of the other three candidate countries (Austria and Sweden), it has a tradition of neutrality; and like the third (Norway), which belongs to Nato, it has a direct border with Russia. Enlargement will thus have important implications for the EU's common foreign and security policy (CFSP). All four countries are under pressure to commit themselves to joining the Western European Union (WEU), which is the EU's defence arm but also the "European pillar" of Nato.

They are keeping their options open. Finland has said it will take a decision only after holding a referendum on EU membership. Given the popularity of the neutral tradition in the three countries that have it, and the deep suspicion of all things supranational in Norway, it would not be surprising if they opt, at least to begin with, for observer status in WEU – as Denmark and Ireland have done among existing EU members. But Mr Dick Spring, the Irish foreign minister, has already warned his compatriots this may not be a tenable long-term option. Ireland, he pointed out in a speech before Christmas, will have to preside over the conference to revise the Maastricht treaty in the second half of 1996, which will see a big effort to adopt a common defence policy, linked explicitly to the Atlantic alliance.

That would be a big change for former neutrals to adjust to, and it will be understandable if not all of them are prepared to make it at once. Ideally the whole of the enlarged EU should eventually be linked to Nato. Until that is possible, at least the link between Nato and WEU should be carefully preserved. Otherwise, states which belong to both organisations will be in the awkward position of giving a guarantee to their fellow WEU members, with which the US would not be associated. Those members or would-be members of the EU that are not yet prepared to opt clearly for Nato membership should content themselves with observer status in WEU.

Un-floating

[illegible]e shift from fixed to floating [illegible]te lending in the British finan[illegible]l system was one of the more [illegible]ofound institutional changes to [illegible]erge from the inflationary expe[illegible]nce of the 1970s and 1980s. [illegible]ere are now signs of a move in [illegible] opposite direction, notably in [illegible] mortgage market, where fixed [illegible]erest lending is gradually [illegible]gthening in maturity. What are [illegible] implications for financial sta[illegible]ity and the workings of mone[illegible]y policy?

[illegible]he widespread use of floating [illegible]e debt contracts was a natural [illegible]ponse by creditors to unantici[illegible]ed inflation. In effect, it pro[illegible]ted the banking system from [illegible] risk inherent in borrowing [illegible]rt and lending long because [illegible]ries about uncertainty over [illegible] future price level were passed [illegible] the borrower. The instinctive [illegible]umption about the implications [illegible] the UK, where the ratio of [illegible]sehold debt stands at nearly 60 [illegible] cent of GNP, might be that [illegible]and would respond more rap[illegible] to changes in interest rates in [illegible]ating rate environment.

[illegible]at, indeed, is the argument [illegible]anced in a paper on changes in [illegible] UK debt structure in the forth[illegible]ing Bank of England Bulletin. [illegible] it puts the case for an equal [illegible] opposite effect if there is a [illegible]ificant increase in the private [illegible]or's use of fixed rate debt, [illegible]ing that interest rates could [illegible]creased quickly, but at lower [illegible] to the private sector. Yet past [illegible]rience suggests that the mon[illegible]y transmission mechanism [illegible] be more complex.

[illegible]rtainly in the US in the first [illegible] of the 1980s, the shift to float[illegible]ates appeared, if anything, to [illegible] the monetary system less responsive to central bank discipline than under fixed rates. A combination of deregulation and the growth of the swaps market inevitably meant that a bigger change in interest rates was required to bring about a given shift in demand. In the UK, where floating rate mortgage borrowing plays a more important part in the monetary transmission mechanism, swaps are unavailable to the personal sector. But the impact of deregulation on the housing market meant that it took an exceptionally big rise in base rates from 7.5 per cent in May 1988 to 15 per cent in October 1989 to knock house prices on the head in the early 1990s. While the Bank's paper claims to be impressed by the speed of the market response, it felt remarkably slow both then and now, because the inflationary psychology took so long to adjust.

How far the maturity of fixed rate lending will continue to extend is a moot point. The Bank's paper hints, very plausibly, that the personal sector may not yet have developed an appetite for long-term fixed rate assets, after the inflationary losses of the past. Nor are the banks and building societies likely to be anxious to abandon the competitive advantage they derive from floating rate retail deposits – although their ability to hedge against mismatched maturities is enhanced by the growth of hedging instruments. But if the process does continue, there is a clear message for the tradeable goods sector: it will bear more of the brunt of any future effort to control inflation because monetary policy will work increasingly through the exchange rate.

Jitters below a calm surface

John Gapper on the potential impact of the Banesto affair on other Spanish banks

A vast red banner bearing the figure eight and a percentage sign covers one side of Banco Santander's office tower in the Madrid financial district. It advertises the latest shot in the mortgage "wars" among Spanish banks over the past year. "The largest trading screen in Spain," says one banker, gesturing at the banner from his office window.

The intense competition for retail banking business is one problem facing players in what has been one of the world's most stable and profitable banking markets. A second, potentially larger problem emerged a month ago when the Bank of Spain dismissed the old management of Banco Español de Credito (Banesto). The central bank has now put together a rescue plan to cover a Pta605bn (£2.9bn) "hole" in Banesto's balance sheet.

The plight of Banesto has raised questions about other banks – particularly those such as Banco Central Hispano, which, like Banesto, holds substantial equity stakes in industrial companies. "Until there is a full explanation of what happened at Banesto, it is logical to ask which other bank will be next," says Mr Robin Monro-Davies, managing director of IBCA, the London-based bank ratings agency.

Banesto's problems emerged when Bank of Spain inspectors discovered its $61bn of assets had been over-valued. The provisions made by the bank against loan losses were insufficient and its equity holdings were not worth as much as it claimed. This was despite regular inspections by the Bank of Spain, and monitoring by Banesto's adviser, the US bank JP Morgan.

Some observers, however, argue that Banesto was a special case. It was run by Mr Mario Conde, a colourful industrialist whose methods were distrusted by other banks; it expanded its loan book very fast between 1988 and 1991; it was heavily exposed to Spain's recession; and it cut margins between its deposits and loans as it fought to increase its market share.

"Banesto was an exceptional bank, and its problems should not have a big knock-on effect on others," says Mr Julian Hollis, an analyst at S G Warburg, the London-based investment bank. Others point to steady profits reported by other banks for 1993. "The high-quality Spanish banks achieved quite a creditable performance last year," says Ms Sheila Garrard, of securities house Lehman Brothers.

Not surprisingly, directors of other Spanish banks agree that the sector is in a good state. Santander last week reported a 17.8 per cent rise in after-tax profits to Pta77.9bn. Mr Juan Inciarte, chief executive, says the fact that banks have maintained profits in the midst of recession indicates their strength. "The basic profitability of Spanish banks is without question," he says.

The strength of Spanish banks has enabled them to survive the first shocks created by Banesto's problems. But, in spite of the optimism of many observers, the longer-term impact could still be damaging.

The plan to clean up and re-capitalise Banesto (see accompanying article) could affect other banks in three ways.

First, they will have to increase contributions to the deposit guarantee fund – the state-run scheme which uses contributions from the country's banks to insure deposits – to compensate for the Pta285bn the fund will spend on acquiring Banesto assets. The drag the fund has on banks' earnings had been easing since the last banking crisis; now it will grow.

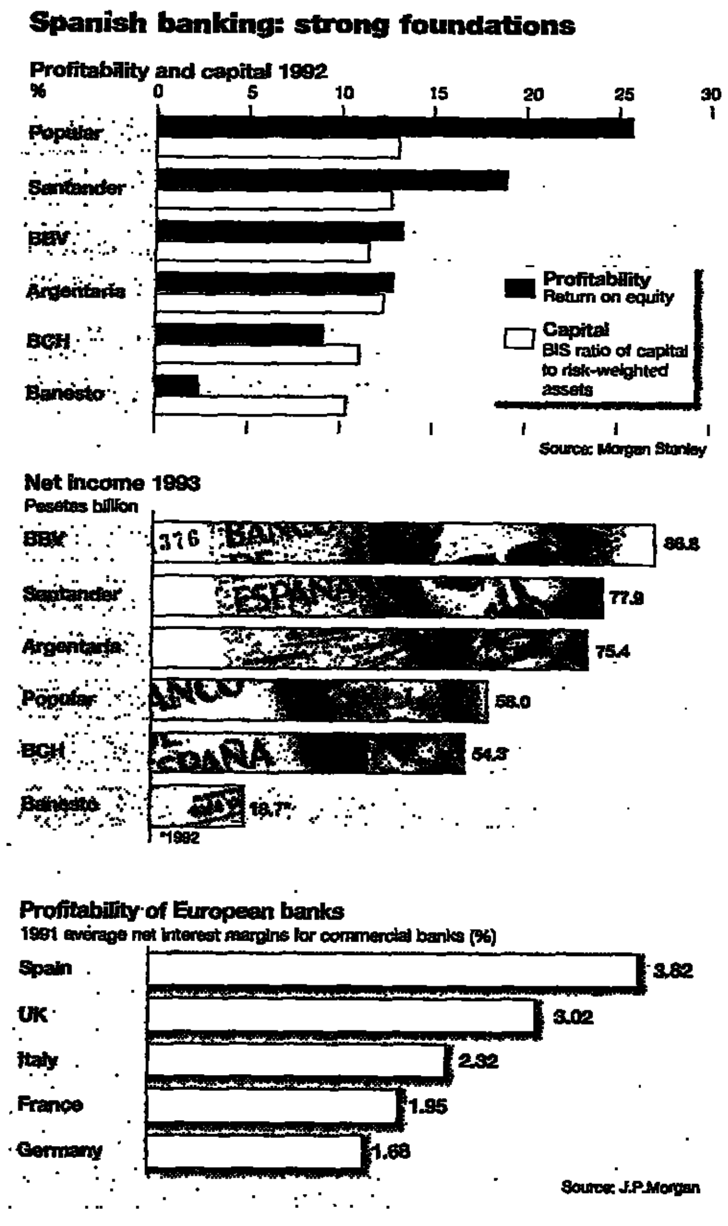
The second effect is that banks have been asked by the Bank of Spain to contribute to a Pta180bn rights issue, buying shares which eventually they will try to sell. The banks could gain from this investment, but if Banesto's difficulties are not solved by the latest recapitalisation, it may have to be rescued again through a takeover. Each of the large banks faces the risk of being prodded into saving Banesto by the central bank.

The third effect is less direct. One reason why estimates of Banesto's difficulties have varied markedly is that it is impossible to determine an exact market value of any bank's smaller loans and assets. Banks gradually adjust the value of their assets over economic cycles by making – and sometimes reducing – provisions against bad debt.

Because Banesto's assets were so suddenly devalued, some observers believe other banks may be galvanised into taking a more conservative view of their own loans. "When one bank is declared sick, then others start to re-examine their assets, and some are liquidated," says Mr Carlos Martinez de Campos, Barclays Bank's director of European retail banking.

The effects would have to be very large to weaken the other private banks significantly. Through their large branch networks, Spanish banks have gathered cheap deposits from unsophisticated rural customers. They use these funds to make personal and small business loans at relatively high interest rates.

Until Santander broke an informal cartel in 1989 by offering interest-bearing deposit accounts, this ensured one of the highest net interest margins (the profit margin on lending and deposit taking) of any banking market. The banks were also forced by the Bank of Spain to maintain high capital ratios, and make conservative provisions against loan losses. The combination led to high returns on strong capital.



But the Banesto incident comes at an awkward time for Spanish banks. The sector has been suffering the consequences of one of the country's deepest post-war recessions. This has pushed the ratio of problem loans to its highest point since the banking crisis of the late 1970s, during which 50 banks had to be bought and refloated by Spain's deposit guarantee fund.

There are other uncertainties facing Spanish banks:

● Competition has increased both for loans and for deposits. Santander's latest mortgage campaign follows similar deposit "wars". This has eroded the net interest margin of the top Spanish banks from 4.6 per cent in 1988 to 3.2 per cent in 1992. The fact that the margin in France and Germany is below 2 per cent indicates the potential for a continuing squeeze.

Mr Hollis of S G Warburg says that banks face pressure on margins as customers shop around more. The banks may in turn grow better at protecting their margins by using financial derivatives, such as options, but it is likely to be a losing battle. "The thing you can guarantee is that margins will erode as customers get more sophisticated," says Mr Hollis.

● The Bank of Spain's effectiveness as a supervisor has been put under scrutiny for the first time since the 1970s banking crisis, when it was widely perceived to have been lax and ineffective in monitoring banks. Since then, it has generally been assumed to be so rigorous that investors could trust Spanish banks' assessments of their asset value.

Following the 1970s banking crisis, the central bank has built up a team of 160 inspectors. Spain has not signed accords drawn up by the Basle-based committee of international bank supervisors because it prefers its own rules. "International standards are not high enough. They are too imprecise," says one official. This iconoclastic approach will come under greater scrutiny from investors.

● The pressure on bank's revenues is not confined to their traditional lending and deposit business; trading income is also under pressure. Banks maintained their earnings last year because they were able to gain revenue from other sources – for instance by increasing earnings from foreign exchange and capital markets operations. Reductions in short-term interest rates also increased the value of their bond portfolios.

But such earnings will not recur this year. Mr Jose Garay, director of the Chemical Bank in Spain, says that banks gained enormously from the four percentage point fall in short-term interest rates in 1993. This year, they will be forced to depend on traditional banking operations. "I think this is going to be a very hard year for some banks," he says.

Banks in other countries have responded to such pressures by cutting costs through reductions in branches and staff. But the potential for cuts is limited. Although Spanish banks have large branch networks, they typically employ relatively few staff in each branch. Furthermore, strict labour laws make it difficult for banks to dismiss staff compulsorily.

These factors have made Spanish banks look forward to the end of recession with eagerness. Investors' confidence in the sector has survived the Banesto upset, but it could be sapped by a further squeeze on revenues and the value of assets. For the moment, banks have avoided being tarred with the same brush as Banesto; their grace period may not be indefinite.

A question of value

For the past week, Mr Alfredo Saenz has been engaged in a bizarre argument. The acting chairman of Banco Español de Credito (Banesto) has been trying to convince shareholders that the bank is worth less than they think.

Mr Saenz's effort seems odd to an outsider, given that most company chairmen try to do the opposite. Yet squabbles over the true worth of Banesto have become a daily occurrence in Madrid since the Bank of Spain intervened on December 28 to dismiss its management and install Mr Saenz's team.

The differences in views between the new management and shareholders became apparent last week when Banesto's shares were refloated after being suspended at Pta1,995 (£9.47p) each at the time of the intervention. Mr Saenz's plan to restore the bank to health, and absorb an estimated Pta605bn overvaluation of assets, includes a write-down of the nominal value of shares – their value in the bank's balance sheet – from Pta700 to Pta400.

But Banesto shares yesterday closed at Pta760, placing the market capitalisation at well over Mr Saenz's estimate. This demand indicates that either investors think Banesto was not in as bad a shape as the authorities claimed – or they believe the rescue plan makes it a good investment.

Either way, the differing valuations could spark a more serious dispute between participants in the proposed rescue. These include Banesto itself, the other Spanish banks being asked to contribute, and existing shareholders, who face a big dilution of their shares.

The most significant investor is the Corsair Fund, the $1.1bn fund managed by the US bank J P Morgan, which advised Banesto's former management. Corsair invested $175m in a placing of shares at Pta1,900 each last summer. This stake would lose value significantly in the rescue plan.

If Banesto's shareholders approve, the bank will be recapitalised via a Pta180bn issue, with new shares priced at the new nominal value of Pta400. The deposit guarantee fund, which uses contributions from the country's banks to insure deposits, will acquire close to 80 per cent of Banesto's equity, and that held by existing shareholders will be diluted.

The deal is structured to encourage the banks to take part in a crucial aspect of the plan. The banks will help remove poor loans with a written-down value of Pta285bn from Banesto's balance sheet. They and the Bank of Spain will each provide half that amount.

But the existing shareholders may object to the part of the plan involving a dilution of their stakes. Because the capital increase will come via a share placing with the deposit guarantee fund rather than a rights issue, existing shareholders will be unable to take part.

Some are thought to be taking legal advice on how they might challenge the plan. They could question the deposit guarantee fund's right to underwrite a capital increase by itself or its right to issue new shares at a nominal value well below current trading levels.

Under the terms of the rescue plan, the fund will publicly auction its Banesto stake this year, and will keep a tranche of this sale for a "strategic buyer". This is likely to be a large bank, which could end up controlling between 20 and 30 per cent of Banesto.

Banesto's existing shareholders will, in theory, be able to exercise their rights to buy shares in this auction. But it is unclear what price they will be asked to pay for keeping the size of their stakes. Nor has it been decided whether the "strategic buyer" will get preferential terms.

Another point of contention could be how Banesto assets are to be sold to the banks and the Bank of Spain. Because the poor loans may turn out to be worth more than Banesto estimates, shareholders may try to ensure the banks do not benefit excessively.

These tensions will come to a head by the time of Banesto's shareholders' meeting on March 26. Unless Mr Saenz has by then succeeded in talking down the value of shares, there will be substantial potential for conflict between Banesto, its existing shareholders and Spain's other large banks.

Tom Burns

OBSERVER

The chips are down

■ A university campus is an unlikely place to decide the future of a big multinational. But Canada's McCain brothers, controllers of the potato-chip and frozen-food company which bears their name, have hired the University of New Brunswick's conference centre to sort out a dispute over who should succeed them as chief executive.

The McCains and their lawyers have booked the entire centre, which includes 11 meeting rooms and a 166-seat auditorium. The arbitration – being heard by a New Brunswick judge – has already been under way for a month and is likely to continue for at least another week or two. Whoever loses is expected to appeal.

Proceedings are secret. But it's understood that among the parade of business-star witnesses will be that well known Mr Fix-it, Sir Graham Day, ex-chairman of British Aerospace, Rover, Cadbury Schweppes, PowerGen, British Shipbuilders etc, etc...

Day, who has "retired" to an office in a local Halifax law firm, declines to say whose side he takes, though he knows both Harrison and Wallace well. But since Wallace is said to have closed his case last week, it looks like Day will be speaking up for Harrison who is trying to fight off his younger brother's efforts either to split McCain's in two or buy the rest of the family's shares. Either way, someone's going to get frozen out.

Small arms

■ Who will succeed Niels Ersboll, the suave Dane who since 1980 has served as secretary-general of the European Council, the top diplomatic job in Brussels? At 67 he is already past retirement, though he has twice had his term extended.

Front-runner is thought to be Philippe de Schoutheete, Belgium's ambassador to the European Union and *eminence grise* behind the recent successful Belgian presidency. But Jüergen Trumpf, formerly German ambassador to the EU and now a top Bonn bureaucrat, has also thrown his hat into the ring.

The Germans feel they get a raw deal when it comes to the highest levels of international institutions, with the juiciest plums often falling to the French or the British. But when they send people like Martin Bangemann, maybe they only have themselves to blame?

Adrenalin junkie

■ The odd thing about Ian Martin's decision to get into bed with Wall Street deal-makers Kohlberg Kravis Roberts is that he's not making a clean break with Grand Metropolitan, where he has been chief wheeler-dealer for nearly a decade.

Ever since he lost out to George Bull in the race to succeed Sir Allen Sheppard as chief executive, Martin has looked underemployed. He turned down the chairmanship of one Footsie company because it was not enough to keep "his adrenalin running" and is now hoping to make a lot of money doing what he does best – sorting out underperforming businesses with the help of KKR's wealthy backers.

However, he seems to have ruled out any involvement in the food and drink industry he knows so well because he remains a GrandMet employee. Martin is reluctant to be drawn on how long he will remain on the payroll, but hints it will be as long as Sir Allen Sheppard remains chairman. Surely Sir Allen cannot be worried that Martin might make a nuisance of himself by bidding for some of GrandMet's less flattering parts?

'It doesn't seem fair that foreigners should buy A-levels when our own prime minister hasn't got any'

Worms turning

■ Funny how the enthusiasms of Tory MPs wax and wane. A few months back they were up in arms about over-regulation of seaside hotels and boarding houses. Socialist local authorities, they said, were strangling them with red tape.

But now Michael Heseltine has agreed to add many of the rules to his planned red-tape bonfire, the same MPs have come up with another problem. Too many small hoteliers in Bournemouth and Bridlington are allegedly lowering the tone of the resorts by letting out their rooms to social welfare claimants.

But there is a solution, oh yes; tougher regulation by local authorities.

Fat tome

■ One big problem faces Finland's new president, Martti Ahtisaari – will he be able to use the recently built library in the new official presidential residence in Helsinki?

The library's architect obviously subscribes to the myth that all Finns are slimline, thanks to their predilection for winter sports. The spiral stairway to the library's top floor is correspondingly narrow.

But the amply proportioned Ahtisaari admits that the only form of sport he enjoys is taking a sauna. Will he be able to squeeze his way up the stairs? Ahtisaari thinks he will – so as long as he takes a deep breath.

But which state president has time for reading anyway?

Unfathomable

■ Ian Byatt, the water industry regulator in charge of Ofwat, seems to have sunk the industry's finest with his outfit's latest missive, which attempts to set a benchmark for operating efficiency. "We have whole teams of technicians working on this and even they don't understand it," wails one water company chief executive.

Ofwat wants the companies to apply tests for something called "heteroscedasticity", using models of the "stochastic cost frontier". Boffins are stumped and even Ofwat hints that these are deep waters. Its letter adds: "The bottom line is that the estimated decompositions of the error variance for the models... are very different and hence not too much reliance should be placed on them." Sure thing.

FINANCIAL TIMES
Tuesday February 8 1994

Japanese coalition fails to agree over tax cuts

By William Dawkins in Tokyo

Japan's seven-party coalition *failed to agree a compromise on* how to fund tax cuts to stimulate the economy yesterday, undermining prospects for a successful outcome to the US-Japan summit at the end of this week.

Exhausted coalition members *in Tokyo agreed to resume talks* on economic measures this morning after four rounds of discussion brought them little closer on prime minister Morihiro Hosokawa's plan for an immediate Y6,000bn ($55.5bn) a year tax cut, *to be funded by a controversial* new 7 per cent tax on goods and services from 1997.

Mr Hosokawa is under pressure from the US to show hard evidence of Japan's plans to cut its fast growing current account surplus when he meets US president Bill Clinton in Washington on Friday. The surplus rose by 11.7 per cent from $117.55bn in 1992 to a record $131.35bn last year, the finance ministry said.

Mr Yohei Kono, president of the opposition Liberal Democratic party, called on Mr Hosokawa to live up to his tax-cutting *promise or hand over power.* The government "cannot take a sweeping political decision without the co-operation of the LDP," Mr Kono said, "but we are reluctant to extend support since the *government is so indecisive.*"

The powerful finance ministry is equally keen for a decision before Mr Hosokawa leaves for the US, not least because it wants to avoid the risk that he will unilaterally offer Mr Clinton an *unfunded income tax cut,* said Mr Minoru Morita, a political commentator in Tokyo. Mr Hosokawa asked the ministry yesterday to help prepare a compromise.

The proposed tax cuts are the centrepiece of a record Y15,100bn *economic stimulus,* shelved since last week when Mr Hosokawa's announcement of a so-called "welfare tax" caused rebellion in coalition ranks.

The finance ministry supports Mr Hosokawa's insistence that any tax cut must be combined with a plan to fund the loss of revenue, preferably not through a permanent rise in government borrowing. Yet the Social Democratic party, the coalition's largest partner, stuck to its demand for a tax cut now, to be followed by a two-year grace period in which to discuss funding.

Figures announced yesterday show a reverse for the downward trend in the current account surplus. The surplus fell in dollar terms for three months running until November, when it reached $8.2bn for the month, only to rise to $12.6bn in December, up 9.3 per cent on December 1992. The trade surplus alone rose to $141.43bn for the whole of last year, from $132.6bn in 1992.

In yen terms, however, the current account surplus fell by 2 per cent to Y14,610bn in 1993, the first drop for three years.

The rise in December reflects increased demand for Japanese goods from the pick-up in the US economy and a decline in the net *outflow of capital,* said Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo. When the Japanese economy starts to follow the US recovery, Japan's surplus should start to contract again, he said.

The gloomy outlook for a Japanese recovery was reinforced yesterday by the first year-on-year drop in lending recorded by Japan's biggest 11 commercial banks since their industry association started records 40 years ago. Their loans outstanding fell by 0.7 per cent to Y222,160bn in January, from the same month *last year.*

Growing drugs bill, Page 4

German engineering wage talks break down

By Quentin Peel in Cologne

The prospect of an all-out strike in Germany's vital engineering industry came a step closer yesterday when negotiations for a "pilot agreement" in the state of *North Rhine-Westphalia* broke down without progress.

Both sides accused each other of refusing to compromise in the talks, in which the employers are demanding absolute cost cuts, while the union is seeking *guarantees of job security.*

The national executive of IG Metall, the trade union representing 3.6m engineering workers, meets in Frankfurt today to decide its next move. Calls for an all-out strike will be on the agenda.

However, it was clear yesterday that neither side wants to *precipitate outright conflict in* an industry which has seen job losses running at more than 30,000 a month for the past year. Most observers expect further urgent efforts to reach a compromise.

The national executives of IG Metall and Gesamtmetall, the engineering employers' federa*tion, were waiting in the wings* of yesterday's negotiations, in the Maritim Hotel in Cologne, in the hope of a possible national deal emerging. But late in the afternoon the two sides emerged to declare: "There is no pilot agreement."

"We have broken off the talks without any result," said Mr *Norbert Wrobel, IG Metall's* chief negotiator in North Rhine-Westphalia. "There was no move to close the gap. Both sides agreed there was no point in continuing.

"The signs are very bad," he added, when asked about the danger of an all-out strike.

Yesterday's talks went ahead *as token strikes continued,* with 2,800 workers stopping work briefly at the Robert Bosch Blau*punkt plant at Hildesheim.*

The stumbling block is the need to find a trade-off between union demands for job security, and employers' insistence on real cost cuts.

Yesterday's talks *focused* on changes in working hours which might bridge the gap. Employers proposed a flexible "working *time corridor" of between 30 and* 40 hours a week, thus allowing either a reduction or an increase in the current 36 hour week.

EU probes complaint on Aer Lingus fare pricing

By Tim Coone in Dublin

European Union officials are investigating claims of unfair pricing against Aer Lingus, the Irish state-run airline, after a dawn raid on the company on Friday in which *documents* were seized and staff interviewed.

Officials from the competition directorate in Brussels arrived at the airline's Dublin head office shortly after it opened. They photocopied several hundred pages of documents and spoke to managers and staff dealing with the airline's fares and marketing policy

The raid follows complaints about Aer Lingus's fares structure by Ryanair, one of the state airline's main competitors on the Ireland-UK routes.

Ryanair's principal claim is that Aer *Lingus* which recently completed a painful and controversial restructuring, has sharply cut fares on its Dublin-Birmingham route since Ryanair introduced a new service on the route last October. Ryanair has lodged a series of complaints with the EU since the end of last year.

Ryanair, which has been a pioneer of cheap "no-frills" fares in *the busy Irish-UK market, says* Aer Lingus is selling below cost. Ryanair itself announced plans last week to expand its Ireland-UK route network.

The EU investigation comes just over a month after Aer Lingus received its first tranche of I£75m ($108m), of I£175m in new equity from the Irish government, *to finance its restructuring.* EU approval for the plan was given last December, but conditions were imposed, aimed at preventing Aer Lingus from using the government assistance to weaken its competitors.

Aer Lingus has recently introduced two new lower fares on its UK routes that have eaten into Ryanair's share of the economy end of the market. It confirmed that fares on the Birmingham route had been reduced, but as part of a "standardisation" of fares on all UK provincial services last month.

The airline said its restructur*ing at the end of last year, which* has cut I£50m out of annual operating costs, "has given us opportunities to introduce new fare structures". The company insists that the equity injection is being used solely for the restructuring and that its fare policy "fully complies with the EC treaty provisions on competition".

The EU is expected to decide in the next two to three weeks on whether the complaints merit further investigation.

Aer Lingus was fined I£575,000 by the European Commission in February last year for refusing to accept British Midland tickets on its flights, in breach of an agreement between the two airlines set up in 1989.

THE LEX COLUMN

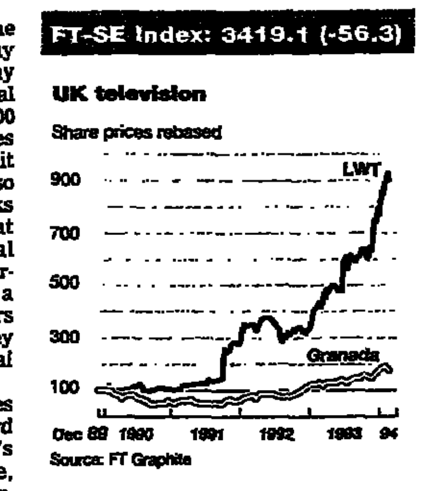
After the storm

The equity markets weathered the initial storm rather well. By yesterday afternoon Wall Street was on its way back up again. The UK pared initial losses to close with the FT-SE 100 down only 56 points, which still leaves it almost exactly level with where it ended 1993. Since the dollar was also consolidating around DM1.76, it looks as though the worst fears of what might happen when the Federal Reserve started to tighten were overdone. There was no sign yesterday of a wholesale retreat by private investors or a reversal of the flows of US money that have been fuelling international markets.

Whether that means world equities can *continue* on a carefree upward path is another matter. The Fed's action must make some difference, particularly for more over-heated markets such as *Hong Kong.* Financial markets *had* generally assumed the Fed would tighten during 1994. Now *that the move has started, attention* must focus on the still unanswerable questions of how much more is to come and how soon.

As they got over their initial shock, markets yesterday were tending to the view that the Fed may have lessened the risk of much larger interest rate rises later that would certainly curb the US recovery. By beginning a grad*ual process of tightening* now it may instead prolong growth. That thought is comfort to equity markets, especially those in Europe which can look forward to some further interest rate cuts. The UK, for example, need not abandon hope of seeing an index level of 3,500 again this year. But much does depend on earnings living up to expectations. And markets everywhere will scrutinise each monthly US inflation more nervously than before.

FT-SE Index: 3419.1 (-56.3)



Source: FT Graphite

US bonds

The week before a large auction of new Treasury bonds is a strange time for the Federal Reserve to push up interest rates. On the other hand, *bond traders are doubtless grateful* that the Fed did not choose to move a week later. If dealers had been stuck with the $11bn of 30-year debt due to be auctioned on Thursday, the fat bonuses paid at Christmas might have had to be handed back. And with large slugs of *three-* and 10-year paper also being sold this week, the one-point fall in bond prices since the Fed *announcement* is probably *not* sufficient to discount the risks, particularly since the US output gap has all but closed, and inflationary pressures will be harder to absorb this year.

Against that, bond yields have risen from 6.25 per cent before the Fed chairman's comments to Congress a week ago to over 6.40 now. The are also well above their low point of 5.75 per cent reached last October. Unless the January inflation statistics produce a nasty surprise, bonds may gather strength around 6.5 per cent.

There is also little reason to suppose *that the torrent of money flooding into* US mutual funds will slow much because of a tiny rise in short rates. Early Fed action to curb inflation may also keep long yields down. Still, now the interest rate cycle has finally turned, bonds will find it harder than equities to make as much forward progress.

Granada/LWT

Stock market turbulence adds another twist of uncertainty to Granada's bid for LWT. But by itself it is unlikely to alter the outcome, despite the 3 per cent fall in Granada's shares. LWT lost the argument about being big enough to stand on its own the moment it started lobbying the gov*ernment* for a change in the franchise rules so that the industry could consolidate. A stand-alone LWT would look particularly exposed now that Carlton and MAI have grown so much bigger.

With all possible white knights hav*ing seemingly fallen off their chargers,* the battle boils down to a question of price. The market suggests Granada will have to raise its offer. The 10 per cent rise in LWT's January advertising revenue supports that view. Gran*ada will surely* try to squeeze a recommendation from LWT's board, but Granada's greater generosity still seems likely to fall short of LWT's evaluation of its own worth. Arguably, LWT's case has been bolstered by MAI's readiness to pay a price equiva*lent to 27 times* Anglia's 1993 television earnings. But Anglia is a highly attractive television region with a growing and increasingly wealthy band of viewers. Its low franchise bid also ensures it retains a higher proportion of advertising revenue. Granada will find *it hard to justify* matching that multiple, especially given that LWT is so far removed from Granada's borders and only broadcasts two and a half days a week. A more modest 10 per cent increase in its offer may be sufficient to satisfy the market whether LWT approves or not.

Dalgety

Dalgety is insulated from UK supermarket price wars by its involvement in the farm sector and in food distribution in the US. Even so, its consumer food business suffered during the the first half, and not just because of a shortfall in *sales of Pot Noodles. Mar*ket share in crisps has been bought only at the expense of margin, and there has clearly been some anxious squawking in the Homepride hen house following Unilever's aggressive launch of Chicken Tonight. Even if the new range of Pot Noodles proves successful, such pressure seems bound to continue.

That leaves Dalgety stuck with a reputation of limited scope for growth, which is reflected in its yield of over 5 per cent. Nor does it help that acquisitions will leave gearing close to 40 per cent at the end of the year. Dalgety's latest purchases have pushed it more towards specialisation in the farm business and in the European pet food market.

The latter, in *particular,* may *hold* out growth prospects if continental owners can be persuaded to stop feeding their animals scraps and dish up some real pet food instead. There may also be attractive opportunities in the ingredients sector which would help shift the emphasis away from consumer foods. Dalgety has a history of abstinence where rights issues are concerned, *but it might consider financing* some future acquisitions by sales from its consumer foods portfolio, even if that does involve throwing a few succulent noodles into the pot.

Sculley leaves Spectrum

Continued from Page 1

price plummeted to $2, down from Friday's close of $5.56, a 64 per cent fall. Mr Sculley said he had exercised none of his stock options, and had surrendered all options to acquire Spectrum stock.

According to Mr Sculley's lawsuit, however, Mr Caserta and other Spectrum officials took advantage of the stock price rise *when he joined the company to* realise huge profits on their own stock options.

Mr Sculley says he was deceived about the prospects of Spectrum's legal and business dealings. He says he was not *informed by Mr Caserta that the* company was under investigation by the Securities and Exchange Commission.

EU calls for end to siege

Continued from Page 1

and Canada which have troops on the ground. But Nato-conducted strikes have already been authorised by the UN Security Council, which does not need to give fresh approval. However, *yesterday in Moscow, Mr Andrei* Kozyrev, Russian foreign minister, raised the prospect that Russia might block any further decision in the security council to use air strikes.

"We will study each case but in principle we believe it [the air strike proposal] is the least successful way," Mr Kozyrev said. Russia is one of the five permanent members of the security *council, along with the US, UK,* France and China.

The EU declaration yesterday followed an intense debate.

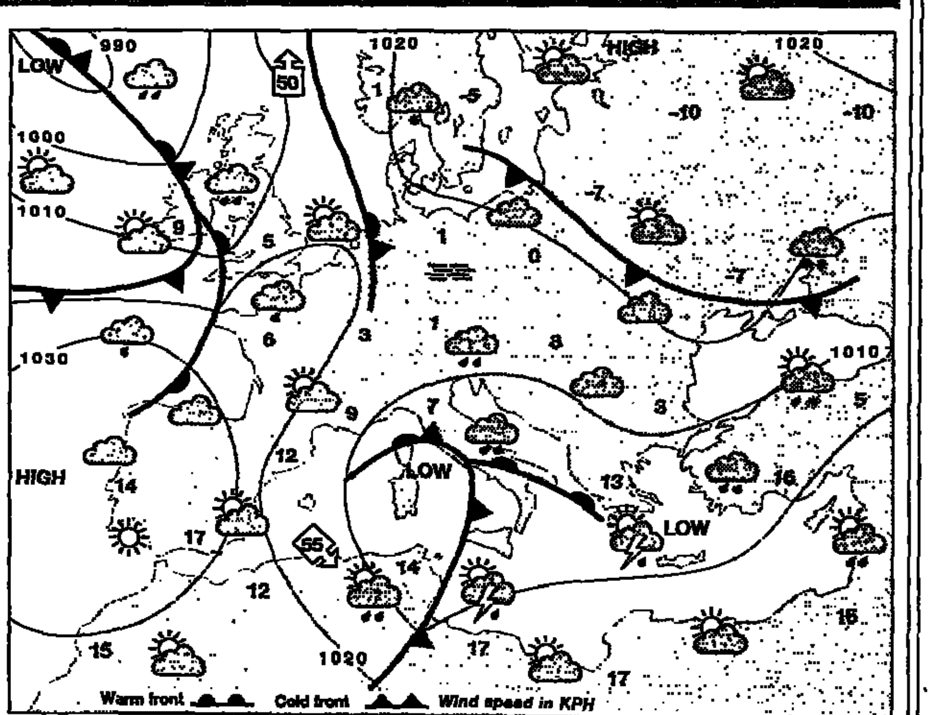
FT WEATHER GUIDE

Europe today

Scandinavia and Russia will remain bitterly cold with temperatures between -10C and -30C. Western Russia and southern Scandinavia will be partly cloudy to overcast but mainly dry. Northern and eastern regions will have scattered cloud. Denmark and Poland will have temperatures around 0C with cloudy skies and patches of light snow. Central and south-east Europe will remain mostly cloudy. Germany and the Alps will have some rain with snow above 1,300m. Eastern France will also have rain. Northern Spain and southern Italy will be showery while southern Spain will stay dry with sunny periods.

Five-day forecast

It will remain very cold over Scandinavia and Russia, with temperatures well below freezing, but the cold air will not push south. The UK, the Benelux and France will be unsettled with rain or showers and some sunshine. It will stay mild. A ridge of high pressure will bring sunny periods to Spain, the Alps and northern Italy. Southern Italy and Greece will be unsettled and rather cool.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	23
Accra	fair	33
Algiers	rain	11
Amsterdam	fair	6
Athens	rain	13
B. Aires	sun	30
B.ham	rain	5
Bangkok	fair	35
Barcelona	fair	12
Beijing	fair	3
Belfast	rain	6
Belgrade	cloudy	7
Berlin	snow	0
Bermuda	shower	21
Bogota	cloudy	20
Bombay	sun	33
Brussels	fair	6
Budapest	cloudy	7
C.hagen	fair	1
Cairo	fair	17
Cape Town	fair	32
Caracas	cloudy	27
Cardiff	shower	6
Chicago	snow	-6
Cologne	cloudy	5
D' Salaam	sun	32
Dakar	sun	24
Dallas	fair	22
Delhi	hazy	23
Dubai	fair	23
Dublin	rain	7
Dubrovnik	fair	13
Edinburgh	rain	5
Faro	sun	15
Frankfurt	fog	3
Geneva	sleet	3
Gibraltar	sun	17
Glasgow	rain	5
Hamburg	fair	3
Helsinki	sun	-9
Hong Kong	cloudy	22
Honolulu	fair	27
Istanbul	rain	7
Jersey	rain	7
Karachi	hazy	30
Kuwait	sun	20
L. Angeles	shower	16
Las Palmas	fair	20
Lima	cloudy	27
Lisbon	sun	13
London	rain	5
Lux.bourg	fair	3
Lyon	sleet	4
Madeira	fair	17
Madrid	fair	11
Majorca	windy	13
Malta	shower	15
Manchester	rain	6
Manila	cloudy	30
Melbourne	shower	24
Mexico City	fair	21
Miami	sun	28
Milan	fog	7
Montreal	fair	-12
Moscow	fair	-10
Munich	snow	0
Nairobi	sun	28
Naples	shower	14
Nassau	fair	27
New York	cloudy	-3
Nice	cloudy	12
Nicosia	shower	16
Oslo	cloudy	-5
Paris	fog	7
Perth	fair	26
Prague	snow	1
Rangoon	cloudy	32
Reykjavik	shower	3
Rio	rain	25
Riyadh	sun	24
Rome	cloudy	12
S. Frsco	fair	11
Seoul	sleet	2
Singapore	shower	30
Stockholm	fair	-5
Strasbourg	sleet	3
Sydney	fair	36
Tangier	fair	13
Tel Aviv	fair	15
Tokyo	fair	14
Toronto	snow	-8
Tunis	shower	15
Vancouver	fair	3
Venice	cloudy	8
Vienna	rain	8
Warsaw	fog	-2
Washington	rain	6
Wellington	shower	25
Winnipeg	cloudy	-17
Zurich	sleet	3

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday February 8 1994

IN BRIEF

livetti rules out share issue

etti, the Italian information technology group, 'absolutely no reason" for a rights issue this , even if it wins the licence to run a second onal cellular communications network, according o Mr Carlo De Benedetti, chairman. Page 22

on for European bond markets
yields and the potential for currency appreciation are proving strong incentives for Japanese stors to switch into the European government l markets, given that yields on Japanese ernment debt and US Treasury bonds are ully low. Page 24

os eyes Asia
George Soros, the US investor and speculator, erday joined Peregrine Investments, a Hong g-based merchant bank, in the launch of a fund to invest in Asian infrastructure projects. Page 25

ssian mining industry lacks mettle
perception of Russia as a treasure house inerals persisted for hundreds of years. But now clear is that most of the mining industry a pitiful state. Page 30

estors given conflicting advice

e Fed's move to tighten came at the end week which had seen sharp rises in world ity markets. But there were striking differences nalysts' views on the likely consequences on the game plans that investors should pt. Back Page

ant ahead 95% midway
lts of Bryant Group, the UK housebuilder, ped 95 per cent. Mr Andrew MacKenzie, chief cutive, said the improvement was due mainly strong performance from housebuilding. Page 27

tech investment trust to be launched
first UK investment trust to specialise in echnology shares is about to be launched Rothschild Asset Management. Page 27

al for Manchester City
nchester City Football Club intends to apply a London Stock Exchange listing. Page 29

hs and lows of dealing
ought deal means champagne or Valium for lers. Page 28

lgety suffers
ling sales of Pot Noodles and low pig prices d back interim results at Dalgety, the UK food agribusiness group. Page 22

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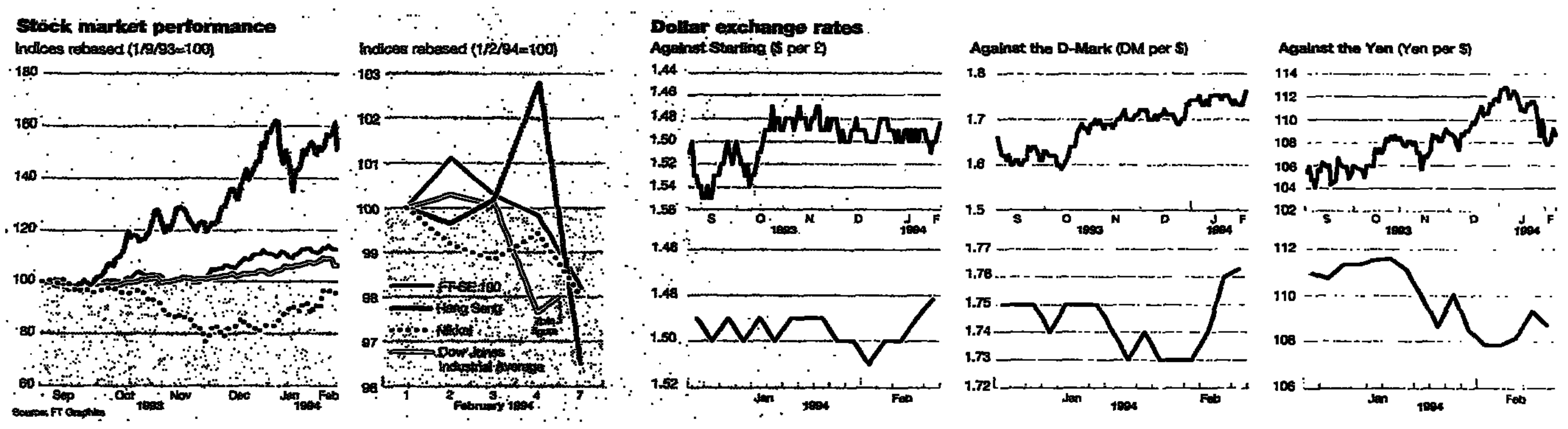
Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Berliner Kraft	331	-	14
Continental AG	247	-	10.5
Daimler-Benz	795	-	29
Dresdner Bk	405.2	-	19.8
Horten	232	-	13.5
Mercedes Hld	789	-	28
NEW YORK ($)			
Rises			
Alcoa	77¾	+	1⅜
Apple Computer	36	+	2¼
General Motors	62⅝	+	1½
IBM	54	+	2¼
Walt Disney	46⅛	+	1⅝
Falls			
Chrysler	60⅝	-	⅛
PARIS (FFr)			
Rises			
Chargeurs	1474	+	22
Falls			
Bancaire Cie	651	-	21
Club Med	375	-	13.5
Paris Rescompt	563	-	22
Radiotechn	482.6	-	17.4
Suez (Cie de)	358.5	-	14
TOKYO (Yen)			
Rises			
Ando Elec	1240	+	140
Mamiya Op	526	+	80
Nomura	1170	+	120
Origin Elec	577	+	47
Tatio	569	+	53
Falls			
Nichibei Fuji	245	-	19

New York prices at 12.30pm

LONDON (Pence)			
Rises			
Blockleys	83	+	12
Brooks Service	75	+	5
Bryant	191	+	5
Caverdale	30	+	2½
Davidson Grp	99	+	7
Euro Disney	378	+	13
Tiphook	63	+	2½
Falls			
Amstrad	44½	-	3
BOC	700	-	25
Bristow	155	-	7
De La Rue	918	-	20
Fitch	12	-	2½
Flextech	424	-	24
Granada	570	-	16
ICI	793	-	18
Lonrho	162	-	7½
Pavitos	32	-	3
Proteus	368	-	22
Savills	89	-	4
SmKl Beecham A	413	-	13
Woodchester	128	-	30

■ 'The Fed's move has had quite a significant psychological impact' ■ 'It might take time for investors to get their confidence back' ■ 'It does mark the end of the emerging market bubble'



Investors hold breath at signs of a turn

By Philip Coggan, Economics Correspondent

Although there was no sign of Black Monday panic on world financial markets yesterday, the Federal Reserve's decision to increase US interest rates may have marked a turning point.

"The Fed's move has had quite a significant psychological impact," according to Mr George Magnus, chief international economist at S G Warburg Securities. "It might take time for investors to get their confidence back."

The long rally in equity and bond markets has been fuelled by low interest rates. Investors, dissatisfied with the returns from cash, have moved into other financial assets. In 1993, US investors poured money into overseas equities, in particular emerging markets.

Mr Michael Hughes, managing director of BZW Global Economics and Strategy, said the rise in US short-term rates was not sufficient to cause investors to move money out of US equities and into cash. But "it does mark the end of the emerging market bubble. Those markets which are dollar-linked, such as Hong Kong, have taken a lot of loose hot money." The Hong Kong stock market fell 6.1 per cent yesterday and later indicative trading in London pointed to a further 3 per cent decline.

If US investors are tempted to take profits, Mr Hughes believes, it is likely to be from emerging markets, but they may only divert money to Europe.

However, it is too early to tell whether US private investors, who have been pouring money into mutual funds, will take fright at the shift in investment conditions and attempt to redeem their holdings. That could trigger a sharp sell-off in equities.

Another key question is whether the Fed's move will influence the Bundesbank. The dollar rose sharply against the D-Mark on Friday and some analysts argue that fear of a weakening D-Mark will prevent the Bundesbank from cutting rates. Indeed, Mr Norbert Walter, chief economist of Deutsche Bank, was quoted as saying in Washington that the German authorities might even raise rates if the D-Mark weakened substantially. Such a move would be a threat to European bond and equity markets, which have been anticipating lower rates.

However, in a research note, Mr Gavyn Davies, chief international economist at Goldman Sachs, said that domestic fundamentals, in particular declining inflation pressures, were still likely to dominate in Europe. It was possible for interest rates to fall in Europe while rising in the US – as in 1983-84.

Mr Hughes believes that the Bundesbank pays more attention to the real (inflation-adjusted) rather than the nominal exchange rate. On a real basis, the D-Mark may have become overvalued during the 1992-93 Exchange Rate Mechanism crises and thus the Bundesbank may be happy to see a decline in the nominal rate.

The threatened market meltdown did not take place yesterday, but investors and analysts are being forced to reconsider their views.

Lex, Page 22; London equities, Page 42; world stocks, Page 39; bonds, Page 31; money markets, Page 33; S&P warning, Page 30.

Salomon Brothers world government bond index (Local currency)

Market	Index	1 day %	1 week %	3 months %	12 months %
US*	260.37	-0.54	-1.21	0.65	8.40
Germany**	198.06	-0.11	-0.73	1.43	11.41
UK**	301.82	-0.52	-1.68	4.15	17.58
WGBI*	246.78	-0.34	-0.73	1.45	11.91

*Closing price Feb 4 **Close on Feb 7

Metallgesellschaft board defended by banker

By David Waller in Frankfurt

The supervisory board of Metallgesellschaft was not at fault in failing to prevent events leading to the near collapse of the German mining, metals and industrial group last month, a senior banker said yesterday.

Ms Ellen Schneider-Lenné, a member of the Deutsche Bank management board, said this would become obvious at Metallgesellschaft's extraordinary meeting on February 24. Mr Ronaldo Schmitz, chairman of the supervisory board and and board member of Deutsche Bank, would then break his silence about the build-up to the December dismissal of Metallgesellschaft directors, including Mr Heinz Schimmelbusch as chief executive.

Ms Schneider-Lenné refused to give details about what Mr Schmitz would reveal but maintained that the Metallgesellschaft affair "was not a question of the supervisory board going wrong". She expected Metallgesellschaft to act as a catalyst to a debate on corporate governance within Germany similar to that in the UK in the wake of corporate crashes in the late 1980s.

Ms Schneider-Lenné: advocating best Anglo-Saxon practice

Ms Schneider-Lenné, who is a non-executive director of ICI, the UK-based chemicals group, said German companies could learn from best practice in the Anglo-Saxon world. Whereas German supervisory boards normally meet no more than four times a year, UK boards – including non-executive directors – tend to meet 10 times a year.

Members of supervisory boards should devote more time to these mandates and should sit on fewer boards, Ms Schneider-Lenné argued. Germans are allowed to hold up to 10 such directorships, but she has refused to take on more than four.

Supervisory board members should be aggressive in requiring managing board members to provide information, she added. There was also a case for establishing audit committees, as in the UK. The near failure of Germany's fourteenth-largest industrial group has led to criticism of Mr Schmitz and colleagues on the supervisory board who voted to extend his contract for five years shortly before he was ousted.

Broader criticism has also been levelled against the German corporate governance system, which divides responsibility between the management – taking the operating decisions – and the supervisory board – overseeing management performance.

Dismissed chief talks, Page 22

Alusuisse in rights issue to finance Canadian takeover

By Ian Rodger in Zurich

Alusuisse-Lonza, the Swiss aluminium, chemicals and packaging group, is launching a SFr400m ($276m) rights issue to help finance its SFr610m takeover of the Canadian packaging group, Lawson Mardon.

The group, which has been reducing its dependence on the aluminium business, also reported that consolidated 1993 net income and sales slid, as predicted. According to preliminary figures, net income was down 15 per cent to SFr80m on sales off 6 per cent at SFr6.2bn. However, the directors forecast "a significant improvement in group income in the current year" and proposed a maintained dividend of SFr12.50. In September, the chairman warned of a cut.

Mr Georges Schorderet, finance director, said the 1993 results were hit by SFr300m in restructuring costs. Alusuisse had shut its only remaining aluminium smelter in Switzerland, as well as a silicon carbide plant in southern Germany. Yesterday it announced the closure of an aluminium smelter at Essen. The charges were offset by disposals.

Net debt was reduced during the year by SFr700m to SFr1.3bn, and Mr Schorderet said equity had risen to roughly SFr1.9bn, with the help of a light rights issue in May.

The public offer for Lawson shares had been very successful, he said. By mid-January, 98 per cent of all shares had been tendered. He wanted to arrange long-term financing for Lawson while the equity market environment was positive and interest rates were low.

The takeover would double annual sales of the group's packaging division to about SFr2.8bn, making the division account for more than a third of revenues. Terms of the rights issue are to be revealed on February 24.

The group's registered shares fell SFr24 to SFr610 yesterday in a declining market.

BASF and ICI agree £60m sale

By Daniel Green and Chris Tighe

BASF has agreed to pay about £60m ($90m) for ICI's polypropylene manufacturing operations, more than a year after the sale was proposed.

The deal marks the UK chemicals company's exit from European polypropylene manufacture and the German group's elevation from seventh biggest producer in Europe to number two.

The businesses, scheduled to be transferred on March 1, include plants at Rozenburg, Netherlands, and Wilton, in Teesside in the UK.

For ICI, the sale is part of a strategy to concentrate on business in which it has a strong global presence. As only the eighth biggest producer in Europe, with losses of about £20m for several years, polypropylene was ripe for disposal.

Nevertheless, the conclusion of the sale is only a partial success. ICI had wanted to swap the operations for BASF's acrylics business. That foundered in November when the two sides could not agree a price.

Mr John Newbold, Teesside district secretary of the Transport and General Workers' Union, the dominant union at ICI's Teesside plants, welcomed the sale. "Transition to BASF is the best possible move," he said.

Time Warner net income falls to $7m in 4th quarter

By Martin Dickson in New York

Time Warner, the US entertainment group, yesterday reported fourth quarter net income of $7m, down from $68m in the same period of last year, although the group's operating results were modestly better.

The results translated into earnings per share of 1 cent, compared with a loss of 25 cents in the same period of last year.

Time Warner's results are complicated by two factors. First, the merger between Time and Warner Brothers which created the company in 1989 involved the assumption of a very high level of debt. Therefore Time Warner encourages Wall Street to focus on its earnings before interest, taxes, depreciation and amortisation (Ebitda).

Second, the company has reported its entertainment operations – which includes its film and cable interests – on a deconsolidated basis since September, when telephone group US West took a large stake in this business.

Time Warner said yesterday that in the fourth quarter combined Ebitda of the entertainment group and its other businesses totalled $760m, up 3 per cent from the $740m reported in the same period of last year, while revenues rose from $3.76bn to $4.12bn.

The group's publishing interests saw earnings up from $132m to $146m, while its music operations made $215m, up from $196m a year ago.

Within the entertainment group, earnings from films dipped from $101m to $96m, although the Warner Brothers studio posted a record quarter.

Earnings of the HBO cable channel rose from $56m to $61m. However, the group's cable service business, the second largest in the US, saw earnings drop from $255m to $242, which the group blamed on new cable rate regulation.

Mr Gerald Levin, chairman, said: "While our cable business will continue to be under pressure in 1994 from this regulation, we remain optimistic about its future growth and that of our copyright businesses."

For the full year, Time Warner reported a net loss of $221m, after taking a $70m special tax charge, against a profit of $86m in 1992.

On a combined Ebitda basis, revenues rose from $13.56bn to $14.54bn, while earnings rose from $2.62bn to $2.83bn.

INTERNATIONAL COMPANIES AND FINANCE

Suez chairman confirms modest profit for year

By Alice Rawsthorn in Paris

Mr Gérard Worms, chairman of Suez, the French industrial and financial holding company, has confirmed that it came back into the black with a "modest" profit last year *after making its first loss in* 1992.

Suez, surrounded by speculation about the possible disposal of Victoire, its insurance subsidiary, fell into the red with a net deficit of FFr1.87bn ($317m) in 1992 due to the economic recession and its heavy debts.

Mr Worms said Suez's 1993 results would be "positive, but modest". The group, which was badly affected in 1992 by the downturn in the French property market, had attempted last year to alleviate the pressure on its finances by raising capital from asset sales.

However, the continued *problems of the property mar*ket in 1993 wiped out the profits from its large disposals. This included the sale last year of Victoire's controlling interest in Colonia, the German insurer, to Union des Assurances de Paris (UAP), the French insurance group.

Mr Worms said 1994 should mark "a new stage in Suez's return to profitability" but predicted the group would not return to "a satisfactory level of profitability" until 1995.

He said that Suez was nearing the end of its asset sale programme, but declined to comment on recent reports that it was close to concluding *a deal to sell Victoire.*

BAT, the London-based conglomerate, has been mooted as a possible purchaser for Victoire: as have Allianz, the German insurance group, and Italy's Generali.

The Colonia deal late last year was seen as paving the way towards's Victoire's disposal as it involved UAP ceding its minority stake in the company to Suez.

Groupe GAN sees further gains

By Alice Rawsthorn

Groupe GAN, one of France's largest insurance groups, should report a recovery in net profits to FFr700m ($119m) for 1993 from FFr402m in 1992 according to Mr François Heilbronner, chairman.

Mr Heilbronner said that GAN's net profits during the second half of 1993 had been "of the same order" as the FFr372m it made in the first half, thereby contributing to a "significant increase" for the full financial year.

*GAN, scheduled for privati*sation, is the smallest of France's big three state-controlled insurers and has been the most vulnerable of the trio during the recession. The group has been badly affected by the competitive state of the insurance industry and from the problems of the property sector.

However GAN, like the rest of the industry, did manage to stabilise activities last year. Mr Heilbronner said the group was on course for recovery in insurance, although further action was required at CIC, its *troubled banking network.*

He forecast the recovery would continue in 1994 and gather momentum next year. Mr Heilbronner's objective is for GAN to make net profits of FFr2bn in 1995 and to muster annual profits growth of 10 per cent thereafter.

The company plans an international expansion policy. GAN, he said, was particularly interested in moving into the German market as Union des Assurances de Paris and Assurances Générales de France, the other two state-controlled insurers, have *already done.*

Low pig prices restrict Dalgety at interim stage

By Maggie Urry in London

Falling sales of Pot Noodles and low pig prices held back interim results at Dalgety, the food and agribusiness group. Pre-tax profits were slightly ahead at £56.4m ($84.1m), against £56.2m, in the six months to December 31.

Mr Richard Clothier, the new chief executive, said he expected improvement in many areas in the second half. This was underlined by an increase in the interim dividend from 7.85p to 8p.

Lex, Page 20

Roussel-Uclaf beats forecast with 33% rise

By Alice Rawsthorn

Roussel-Uclaf, the French pharmaceuticals company which was last year taken over by Hoechst of Germany, yesterday announced an unexpectedly strong 33 per cent increase in net income before exceptional items to FFr976.6m ($164.41m) in 1993 from FFr734.8m in 1992.

The company had forecast a more modest increase, but fared particularly well during December when it benefited from strong sales of antibiotics such as Rulid and Orelox.

Roussel-Uclaf, which became a subsidiary of Hoechst last summer when it bought a minority stake from Rhône-Poulenc, the French chemicals concern, mustered sales growth of 7.3 per cent during 1993 to FFr15.89bn from FFr14.81bn in 1992.

However, the company suffered a slight fall in overall net profits of 3.8 per cent to FFr987m from FFr1.03bn due to a reduction in capital gains. Roussel-Uclaf made just FFr271m from capital gains during 1993, compared with FFr676m in the previous year.

KKR backs former GrandMet chief's firm

By Paul Taylor in London and Richard Tomkins in New York

Kohlberg Kravis Roberts, the Wall Street leveraged buy-out *specialist, is to provide the* financial backing for a new London-based investment firm set up by Mr Ian Martin who resigned yesterday as deputy chairman of UK Grand Metropolitan, the food and drinks group.

Glenisla, a privately-owned investment vehicle led by Mr Martin with Mr Henry Kravis and Mr George Roberts of KKR on its board, plans to seek out undervalued businesses ripe for reorganisation in the UK and elsewhere in Europe.

Mr Martin, whose resignation as a GrandMet director had been widely expected since September when he lost the contest for the chief executive's job, said the investments could be in a wide range of industries – though not in the food and drinks industry because he remains a consultant to GrandMet with a non-competition clause.

"Western Europe is at a pivotal stage in its economic cycle, presenting significant avenues for building long term growth through strategic, well capitalised investments," he said.

"*Glenisla intends to capture* this value by financing investments in a prudent creative manner consistent with a strategy for achieving profitable growth and taking an active role in the day-to-day management of the business."

Explaining the arrangement with KKR, Mr Martin, who has a reputation as a skilled turnround specialist, said, "KKR brings the financial muscle and I bring the transformation management skills."

KKR has about $2bn available for investment, only a small percentage of which will find its way into Glenisla. But the investment will give the firm its first toehold in the European market.

KKR has a portfolio of 18 investments in US companies with an estimated market value of $13bn.

Observer, Page 18

Olivetti rules out rights issue this year

By Haig Simonian in Milan

Olivetti, the Italian information technology group, has "absolutely no reason" for a rights issue *this year, even if* it wins the licence to run a second national cellular communications network, according to Mr Carlo De Benedetti, chairman.

Mr De Benedetti said mobile *communications* was "not a diversification or opportunistic for Olivetti. It's at the heart of our business". However, company officials have admitted winning the licence would have a negative impact on cash flow during the project's early years, when heavy investments would be required.

According to company forecasts, a successful bid by the Omnitel consortium, headed by Olivetti, would cost the latter between L1,500bn and L2,000bn ($887m-$1.2bn) in the 18 months from winning the licence. The project would create 2,000 jobs.

Omnitel, which includes Swedish Telecom, Bell Atlantic, Cellular Communications and Lehman Brothers, is one of *three contenders to run* the new GSM-standard network. A government decision is expected by the end of April.

Olivetti has stressed the importance of winning the mandate.

One senior executive said the shift into communications represented a new "genetic mutation" for Olivetti of the same magnitude as its switch from mechanical to electronic typewriters in the 1970s. However, winning the mandate is expected to have a modest negative impact on earnings *for up to* four years because of heavy investment spending. The change would come in the fourth year, when the project should start generating cash, the company forecast.

Olivetti would seek to limit costs by using existing financial resources and avoiding additional debt. However, officials implied it might need to turn to shareholders eventually to fund the additional spending.

Olivetti, which last year pushed through a L902bn rights issue, will seek shareholder approval to issue up to L2,000bn in new shares and bonds over the next five years. However, a senior executive said the proposal, to be put to shareholders in April, had been misunderstood, and did not necessarily mean extra cash would be raised.

Winning the licence could affect Olivetti's results just as it is poised to emerge from sustained losses. Bolstered by a shift into more profitable service-based activities, Mr De Benedetti said breaking even was a reachable objective this year.

Earnings would be lifted by lower debts and the fact that Olivetti has put most of its extraordinary restructuring costs behind it.

Danish bank returns to black

By Hilary Barnes in Copenhagen

Unidanmark, the second-largest Danish banking group, reported a return to profit *in* 1993 after three consecutive years in the red. Net profit was DKr885m ($132m), compared with a loss in 1992 of DKr4.66bn and losses in 1990 and 1991 of DKr1.09bn and DKr1.65bn respectively.

The group omitted a dividend for the second year, but announced a DKr550m new share issue at market price and without preferential rights for existing shareholders which *should raise about DKr1.3bn.*

A cut in bad loss provisions to DKr3.88bn last year from DKr6.28bn and income from securities and foreign exchange of DKr2.56bn, compared with a loss of DKr273m in 1992, helped the turnround.

The increase in profits from securities and foreign exchange reflected the sharp *rise in bond and share prices* last year. Mr Thorleif Krarup, group chief executive, said about DKr1.5bn of the DKr2.5bn profit under this heading were trading profits and the rest a gain in the value of securities.

Mr Krarup was brought into the bank in the autumn of 1992 after repeated forecasts of an improved performance were falsified. He supervised a reduction in costs last year by 7 per cent to *DKr5.99bn, includ*ing a cut in the workforce to 10,108 people from 11,877 at the end of 1992.

The new share issue, to be marketed in Europe and the US, will increase the bank's core capital from 7.2 per cent to 8.0 per cent and its total capital adequacy ratio to over 12 per cent from 11.8 per cent *at the end of last* year, the bank said.

The group's total assets increased to DKr242bn from DKr219bn in 1992. For the first time for many years the group's deposits, which increased to DKr127.4bn from DKr114.9bn in 1992, exceeded advances, which declined to DKr125.5bn from DKr132.5bn in 1992 and a peak of DKr158bn in 1990.

Increasing competition and *reduced volatility in the securi*ties and foreign exchange markets will have an adverse effect on profits in 1994, the bank said, but it made no earnings forecast.

Claims on Rey reach SFr3.02bn

By Ian Rodger in Zurich

Receivers of Mr Werner K. Rey, the *fugitive* Swiss financier, have received claims against him of SFr3.02bn ($2.1bn). But nearly three years after the collapse of Mr Rey's Omni Holdings, only a tiny fraction of this amount has been recovered.

In its latest letter to creditors, Atag Ernst & Young said it had accepted only SFr842m of the claims. Another SFr519m had been rejected while claims worth SFr1.66bn were being held pending further investigation.

Omni, an aggressive conglomerate, collapsed in April, 1991 with more than SFr2bn in debts, making it Switzerland's largest corporate collapse.

Mr Rey went to the Bahamas later that year and has refused to return. He has been charged with fraud and theft and Swiss authorities are preparing a request for his extradition.

Atag said it sold Mr Rey's Rolls-Royce Corniche car last year for SFr26,000 and a property for SFr14m, but the net proceeds available to creditors from these two transactions would amount to only between SFr2.8m and SFr5.7m.

The roughly SFr91m proceeds from the sale of Omni's shares of Sulzer Brothers in 1991 and 1992 were frozen pending the outcome of a legal challenge by Banque Paribas (Suisse), which claimed a right to the shares as a pledge against a loan it made to Omni.

Sacked boss defends MG strategy

By Laurie Morse in Chicago

Mr W. Arthur Benson, the MG Refining and Marketing executive who was sacked last Friday, says Metallgesellschaft, the troubled metals and mining group, was fully aware of his division's trading strategies *and made him the scapegoat* for losses they created.

Trading losses from MG's oil and gas operations are widely believed to have generated the recent financial crisis at the German parent.

In a written statement, Mr Benson said Metallgesellschaft was fully informed of MG Refining and Marketing's trading strategy but chose to ignore it.

"They have acted purpose*fully as if they sought to create* losses. There is more here than at first meets the eye," he said. Mr Benson also said that if the strategy had been allowed to run its course, it would have reaped substantial profits.

Metallgesellschaft *had no* response to Mr Benson. In a telephone interview, Mr Benson would not elaborate beyond his written statement, saying he was prohibited from doing so by his contract with *his former employer.*

Mr Benson had been president of MG Refining and Marketing. His son William was Risk Manager. Both were discharged last Friday.

THE GERMAN PFANDBRIEF

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DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN
WESTHYP, DORTMUND
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, HAMBURG
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.-GES.), HANNOVER
BRAUNSCHWEIG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
NORDHYPO BANK, HAMBURG
BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
HYPOTHEKENBANK IN BERLIN AG, BERLIN

Maclean Hunter to mount offensive against Rogers

By Bernard Simon in Toronto

Maclean Hunter, the Canadian publishing and cable-TV group, signalled yesterday it was planning a strong counter-offensive to a proposed takeover bid by Rogers Communications.

MH also defused uncertainty over the status of the largest single block of shares in the company, apparently in the hope of prodding Rogers to show its hand.

Rogers, which is Canada's biggest cable-TV group, last week proposed a "strategic merger" with MH to create a multimedia company able to stand up to other European and North American conglomerates and Canada's powerful telephone companies.

But analysts predicted yesterday that MH might try to thwart Rogers' ambitions by presenting itself, rather than Rogers, as the best vehicle for the creation of an enlarged Canadian multimedia conglomerate.

MH has a far less onerous debt burden than Rogers. Its coffers would be swollen by up to C$2bn (US$1.5bn) from the expected sale of its US cable-TV businesses.

Rogers has yet to put forward a firm offer. It said last Friday it would first ask the Ontario Securities Commission to rule whether the block of MH shares held by a company known as Maclean Hunter Holdings would have to be included in a bid.

MH responded yesterday that MH Holdings, which is controlled by two MH subsidiaries and holds about 17 per cent of MH's shares, will not vote its shares either for or against any bid which conforms to a 1989 shareholder rights plan. The clarification means that an OSC ruling is no longer necessary.

"It is not the intention of either board (of MH or MH Holdings) to frustrate or prevent any reasonable and appropriate offer . . . made by Rogers or any other party," MH said.

Rogers was due to issue a response late yesterday.

MH added, however, it was "exploring all strategic alternatives in order to maximise shareholder value". These include a recapitalisation, the spin-off of all or part of its Canadian cable-TV assets, and the formation of "one or more alliances with third parties".

MH also said discussions were under way with prospective buyers of the valuable US cable-TV interests in Michigan, New Jersey and Florida.

At its current share price of C$17.25, MH is valued at C$3.6bn. But analysts predict a bidder with any hope of success will need to offer considerably more than that.

CanPac cuts loss as rail freight improves

By Robert Gibbens in Montreal

Canadian Pacific, the transport, resource, property and industrial group, reduced losses sharply in the fourth quarter and for the whole of 1993 following a considerable turnround on the freight rail side.

CP, which also benefited from an improvement in shipping and trucks, recorded positive operating results and is forecasting further gains for 1994.

Fourth-quarter net profit from continuing operations was C$107m (US$81.6m), up from C$44m a year earlier. But after special charges there was a loss of C$117.5m, or 37 cents a share, against a loss of C$254m, or 80 cents. Revenues rose to C$1.8bn from C$1.6bn.

For the full year, overall net profit from continuing operations was C$267m, compared with C$140m, but after special items the loss was C$191m, or 60 cents, against a deficit of C$478m, or C$1.50.

Revenues of C$6.6bn compared with C$7.2bn, mostly due to the de-consolidation of two units.

The 1993 special items included a C$203m share of write-downs by Unitel, the telecommunications unit, the share of Laidlaw writedowns, and a special charge by the property unit.

CP also included a C$163m loss from its 61 per cent stake in Canadian Pacific Forest Products, sold late last year.

In 1992 special charges totalled C$441m, mainly as a result of rationalisation.

The rail system almost doubled operating income in 1993, with strong gains in traffic.

Higher oil and gas output and increased gas prices helped Pan Canadian Petroleum, while Fording Coal swung back positively from a 1992 strike.

Mr William Stinson, chairman, warned that Unitel would continue to lose money until it achieved sufficient long-distance market share. But with moderate economic growth, "CP sees continued overall improvement in operating performance in 1994".

Demand from car industry boosts Dofasco

By Robert Gibbens in Montreal

Demand for sheet steel from the surging North American car industry brought further recovery at Dofasco, Canada's second biggest steelmaker, in the fourth quarter.

Net profit from operations was C$15.2m (US$11.6m) up from C$13.3m in the third quarter and a loss in the year earlier.

After special gains, Dofasco reported fourth-quarter net profit of C$75.7m, or 95 cents a share, against a loss of C$115.5m, or C$1.46, on sales up at C$535m, against C$475m.

For all of 1993, final net profit was C$111.9m, or C$1.41, compared with a loss of C$234m, or C$2.96, in 1992.

Sales were C$2.1bn, up from C$1.95bn. Total steel shipments were 3.35m tonnes, against 3.4 tonnes.

Dofasco is completing its restructuring to concentrate on flat rolled products. It has sold its remaining interest in Algoma Steel and plans to sell its tubular products unit.

Transgas plans stake in Algerian pipeline

By Peter Wise in Lisbon

Transgas, the company responsible for an Es450bn ($2.6bn) project to pipe natural gas into Portugal, plans to take an Es16bn stake in Europe-Maghreb Pipeline, the US-dominated construction consortium building a gas line between Algeria and Spain.

Portugal, the only European Union country without a natural gas supply system, plans to lift 2.5bn cubic metres of natural gas a year from 1996 through a link with the pipeline that will run from Hassi R'Mel in Algeria through Morocco to Seville in Spain.

Transgas, wholly owned by Portuguese public sector companies, is holding talks with at least 12 foreign enterprises interested in acquiring a stake in the company, a Lisbon government official said yesterday.

He said the government planned to reduce the state-controlled holding in Transgas to a maximum of 30 per cent and would permit foreign ownership of up to 49 per cent of the company.

The potential foreign partners in Transgas include Sonatrach, the Algerian state energy company, that will supply natural gas to Morocco, Spain and Portugal through the pipeline. Construction work is due to begin this year.

Gaz de France is also negotiating a possible participation in Transgas. The French company led an international consortium that planned to introduce natural gas into Portugal through importing liquefied natural gas from Algeria by ship. But talks with the Portuguese government collapsed in March 1993 after a failure to agree on prices and risk-sharing.

Mr Luis Felipe Pereira, Portugal's secretary of state for energy, said the pipeline option would provide gas at a lower price. It was also more secure because Portugal would be able to import gas from other suppliers through the Spanish network if supplies from Algeria were cut off.

Japanese move in on European gilts

Investment interest is strong, report **Emiko Terazono** and **Sara Webb**

High yields and the potential for currency appreciation are proving strong incentives for Japanese investors to switch into the European government bond markets, given that yields on Japanese government debt and US Treasury bonds are pitifully low.

Japanese investment in overseas markets reached $35bn in the final quarter of 1993, the highest quarterly figure since the last three months of 1989, according to DKB International, the Japanese bank. Some $26.4bn of that was invested in overseas bonds, notably European markets.

"Japanese investors have been moving into Europe in the last few months and have been strong supporters of the gilt market, as well as buying French and German bonds," points out Mr Kit Juckes, economist at S. G. Warburg Securities. He expects to see further investment by Japanese investors in European bonds, given that the yields are significantly higher than those on Japanese paper.

Dealers in London note that Japanese buying interest in the European government bond markets – particularly France, Germany and the Netherlands – has been strong since the start of the year, although there has some profit-taking in the UK and European markets to cover losses in the Japanese domestic markets.

Many Japanese investors expect to see a further rally in European bond markets this year, especially if the Bundesbank lowers interest rates and other European central banks follow suit.

Mr Mikio Kashiwagi, head of overseas pension portfolio management at IBJ NW Asset Management, says: "Europe is definitely interesting at the moment." During the past few months, he has gradually shifted funds out of the US government bond market into Europe where interest rates are high and there is scope for yield curves to "normalise" by adopting a positive slope as short-term interest rates decline.

Mr Kashiwagi is placing 40 per cent of his funds in bonds and 60 per cent in stocks: half of the fixed income allocation will be in European bonds, while 26 per cent will be in US paper and 16 per cent in Japanese debt.

Mr Junya Nakamura, manager of Tokio Marine & Fire Insurance's international investment department, currently puts 40 per cent of his bond investments into Europe and 60 per cent in the US. But while the total amount allocated to overseas investments has remained stable, he has shifted funds out of the US into Europe, reducing exposure in US bonds from 80 per cent last year to the current level.

"We've started to get cautious about the UK, but we think countries on the continent still have room to cut rates," says Mr Nakamura.

Japanese buying
$bn (1993)

	Foreign bonds	Foreign shares
Jan	1.58	(0.02)
Feb	(3.60)	(0.25)
Mar	(1.7)	0.33
April	8.47	(0.49)
May	4.58	0.41
June	(3.04)	1.24
July	(0.69)	1.38
Aug	3.38	1.94
Sept	(5.96)	1.73
Oct	12.26	2.36
Nov	10.15	3.14
Dec*	4.00	3.00

*Provisional data. Brackets denote net inflows. Source: DKB International

"We've been overweight in Europe since the start of last year," says a fund manager at a leading Japanese life assurer. However, he believes that European bond markets are in the last stages of a rally, and would not increase weightings further.

Some Japanese investors are wary of overseas investments because of the risk of currency fluctuations, and are sticking to domestic bonds in the hope of a further fall in long-term yields. (The yield on the benchmark No 157 10-year bond is trading at around 3.55 per cent.)

Mr Kazuo Tamayama, director at Yasuda Kasai Brinson Investment Management, who expects the Japanese currency to remain at around Y110 to the dollar this year, is keeping away from overseas investments. He believes there is potential for gains on Japanese government bonds and is about 10 per cent overweight.

However, fears of heavy new supply in the Japanese government bond market have dampened enthusiasm recently. The economic stimulus package could mean extra supply for the bond market, and the Ministry of Finance has already announced that it would issue bonds outright to finance the spending part of the package. According to an outline announced by the Ministry of Finance last week, the proposed tax cuts – worth Y6,000bn a year – would be financed by deficit-covering bonds in the first three years.

In terms of the currency outlook, Japanese investors appear divided. In many cases, positions in European bonds held by Japanese investors have been fully hedged, keeping worries over currency movements at a minimum, although this can be costly and reduces the overall return.

Mr Nakamura believes that the yen will remain relatively firm against European currencies. However, other Japanese investors see scope for making gains from the appreciation of the European currencies against the yen. A dealer at one US bond house notes that "even the Japanese are rather bearish on the yen, and feel they could get currency appreciation from their European assets".

Chile groups trek the ADR path

Companies are queueing to make foreign issues, writes **David Pilling**

Thirteen Chilean companies, including energy, telecommunications and wine groups, are planning to issue American depositary receipts on the New York stock exchange.

This year, the 13 are likely to raise at least $700m in this way – some of which will be invested in other liberalising economies, such as Argentina and Peru.

Bottling company Cristaleris recently became the eighth Chilean group to gain a foreign listing. Its offering of 3.65m ADRs – each representing three shares – was priced at $23⅞ each, valuing the issue at more than $87m. If the underwriters take up their over-allotment rights, this figure will go up to $95m.

Other companies queueing to make foreign issues are Chilquinta, a regional utility, Concha y Toro, the winemaker, and Banco O'Higgins, the first Chilean financial institution to seek a listing abroad.

Under strict laws laid down by Chile's central bank, each company will be required to place at least $50m of new stock. Last year, of the $2.7bn invested in Chile, $826m came via the purchase of Chilean stock abroad.

The ADR ball was set rolling in 1990 when CTC, the telecommunications group, placed $93m – 12 per cent of its stock – on the US market.

Today, 25 per cent of CTC's shares trade in New York with a value of about $1.25bn. Soquimich, an iodine and fertiliser producer, and Masisa, a particle board maker, have more than 20 per cent of their stock traded in New York.

In addition to raising a company's international profile and securing cash for expansion, foreign demand for Chilean paper has tended to push up the share price on the Santiago stock exchange. "The minimum position of big US pension funds is often $5m," says Mr Matthew Hickman of Bear Stearns. "That's a huge demand by Chilean standards, so the price goes up."

So far have ADR prices been inflated that some analysts are advising taking profits on some better-performing ADRs. Mr Geoffrey Dennis of Bear Stearns, for example, says Chilean ADRs "have been pushed up to significant premiums in relation to most stocks in the region".

In 1993, shares in Madeco, the copper manufacturing company, rose in nominal terms by 138 per cent in Santiago, while those in Masisa leapt by 207 per cent. Both issued ADRs last year. On the day after Cristaleris closed its deal, its share price shot up by 19.5 per cent in Santiago.

The seven international ADRs trading last year accounted for 44.1 per cent of the selective IPSA index, which rose 50.5 per cent in US dollar terms last year. If this year's ADR calendar is completed, ADRs will account for nearly three-quarters of the IPSA index.

"The increased buying and selling activity of foreign institutional investors is having a greater and more direct effect on the domestic market," says Mr James Walker of Baring Securities.

Some foreign institutions like the fact that a slice of of the funds raised by Chilean companies is invested in other high-growth regional economies. Chilean companies, exposed to domestic economic restructuring before most other Latin American economies, have proved adept at applying hard-won lessons to difficult foreign markets.

"People like the quality of Chilean management," says Mr Hickman. "Investors like the idea of buying a Chilean vehicle. What many of them are actually doing is taking a stake in Argentina or Peru."

Some Chilean companies are bypassing their domestic exchange. CCU, the beverage group which placed ADRs in 1992, is so little traded in Santiago that last month it dropped off the IPSA index altogether.

Many family-run businesses, wary of losing board control and dubious of the financial advantage of trading on the often-illiquid Santiago bolsa, prefer to take their chances abroad. Foreign institutions have large sums at their disposal yet are unlikely to be seeking boardroom control.

"Why should companies bother to list on the Chilean stock exchange?" says Mr Hickman. "The size of the market here [in New York] is so much larger that it becomes a more feasible financial source without the political risk."

However, he admits there are dangers involved in ADR euphoria. "First, prices shouldn't really be determined by foreign investors who don't understand the market as well as a local does. Second, the size of the US funds means that you just need a swift change of sentiment by a few people to have a big effect in Chile."

Some analysts fear what might happen if international interest rates rise and institutions cash in their Chilean profits. Others are more sanguine, believing the rising cost of Chilean stock reflects the premium being paid for a combination of stability and growth potential.

ADR PERFORMANCE IN 1993

	ADR performance % change	Domestic performance % change
CTC	+70.8	93.92
Cervezas	+82.5	115.51
Chilectra	+91.0	109.52
Masisa*	+96.5	191.34
Madeco*	+95.0	126.45
Soquimich*	+16.5	80.83
Enersis*	+29.2	59.96

*Listed during 1993. Price is the initial listing day quote. Source: Bolsa de Comercio, NYSE

ADRS ANNOUNCED FOR 1994

Company	Sector
Andina	Coke bottler
Banco O'Higgins	Banking
Chilgener	Electricity generator
Chilquinta	Electricity distributor/telecommunications
Cristalerias	Glass manufacturer
Concha y Toro	Wine producer
Endesa	Electricity generator
Entel	Telecommunications
Labchile	Pharmaceuticals
Sodimac	Home improvements
Telefónica del Sur (VTR)	Telecommunications
Teléx-Chile	Telecommunications

Source: Baring Securities

FT-ISMA INTERNATIONAL BOND SERVICE

THE FT-ISMA International Bond Service, published on Monday to Friday in the Financial Times, shows daily prices, provided by the International Securities Market Association, for a selection of the most actively traded Eurobonds and related securities, picked from the sectors which best represent current market conditions. The service sets out to include certain "benchmark" issues within the space available, while still trying to maintain a broad spread of borrowers and currency groups. Selections are reviewed regularly by the Financial Times and the International Securities Market Association.

INTERNATIONAL COMPANIES AND FINANCE

S&P warns Japanese banks over bad loan write-offs

By Emiko Terazono in Tokyo

Until Japanese banks come to terms with their asset quality problems, the country's stock markets will not show a sustainable recovery, warned Standard & Poor's, the international credit rating agency, in a report released yesterday on the banks' approach on writing off bad loans.

Compared with their US and Australian counterparts, Japanese banks have been slow in writing off problem loans due to a lack of tax incentives. Although the agency says the acceleration of write-offs would not affect ratings, it warned that the difficulty in assessing the ultimate loss of the gradual write-off procedure would affect investor confidence.

The mounting speculation about the actual size of the bad debt burden of Japanese banks has added to the scepticism, which has weighed down on the banks' share prices. They will find themselves in a vicious circle since a weak stock market limits their ability to rely on hidden reserves to help absorb losses stemming from clearing their balance sheets of problem loans.

But an acceleration of the write-off process by banks will be welcomed by stock market investors, supporting share prices and lifting the operating flexibility of the banks. This will in turn improve the overall business climate while allowing banks to spend less management time on resolving past mistakes.

● Hyogo Bank, which is based in western Japan, announced a 10-year rescue plan for its troubled 10 affiliated non-bank financial companies.

Hyogo, itself undergoing financial restructuring, will waive interest payments by the affiliates, increasing its burden by Y7.2bn to Y11.7bn ($108m). By raising its own commitment, the bank wants to persuade other creditors of the 10 financial affiliates, including life assurers and banks, to cut interest rates on loans to 2 per cent, relieving the affiliates' interest payments by Y37bn.

Peabody raises stake in NSW coal project

By Nikki Tait in Sydney

Peabody Resources, part of the British Hanson group, yesterday announced that it has raised its stake in the Warkworth coal joint venture in New South Wales, from 28.75 per cent to 43.75 per cent.

The original Warkworth interest was acquired by Peabody when it purchased the Australian coal mining interests of Costain, the British construction group, last year for about US$200m.

The joint venture controls around 234m tonnes of recoverable opencast coal reserves and sizeable underground reserves in New South Wales. It produces 2.8m tonnes a year of metallurgical and steaming coal, mainly for export to Pacific Rim customers.

Peabody, which is the manager of the Warkworth operation, bought its additional stake from the Westpac staff superannuation plan, and both sides declined to disclose the price. Other partners in the joint venture include Mitsubishi Development, Mitsubishi Materials, Minproc Energy and Nippon Steel.

The increased interest comes hard on the heels of an unfavourable outcome for the coal industry in its annual negotiations with the Japanese steel mills.

Under competitive pressure from other suppliers and faced with lower demand from Japan, Australian producers accepted larger-than-expected price cuts and reduced tonnages. A series of 24-hour mine stoppages, called by the United Mine Workers' union in protest at the outcome of the negotiations, is due to start tonight.

Indian SE watchdog seeks more powers

By R.C.Murthy in Bombay

The Securities and Exchange Board of India is seeking additional powers to regulate the country's fast-growing capital markets.

Mr S.S. Nadkarni, the board's new chairman, said yesterday that amendments to legislation were proposed "to give more teeth" to the market watchdog.

The board, which has gained considerable authority in recent years, remains worried about malpractice. There has been a flood of allegations of insider trading by corporate managements seeking to rig share prices before flotations.

Proposals for strengthening the board's market surveillance will be welcomed by foreign investors, who have stepped up purchases of Indian shares. Foreign institutions invested $275m in January, lifting the total to $1.2bn since the government opened the doors a year ago.

Mr Nadkarni distanced himself from his predecessor, Mr G.V. Ramakrishna, on the issue of abolishing *badla* – the carry-forward facility for shares. "We want a transparent system," he said. The board will reconsider its plan to ban *badla* if there is total segregation of transactions for carry forward and delivery of shares.

Anticipating the change in the board's stance, traders on the Bombay Stock Exchange drove up share prices by 227 points or 5.8 per cent to a two-year peak of 4,144 yesterday.

Del Monte Royal Foods beats first-year forecast with R208m

Matthew Curtin in Johannesburg

Del Monte Royal Foods, established in October 1992 with the acquisition by Anglo American and the Imerman family of Del Monte Foods International (DMFI), has beaten maiden profit forecasts in reporting distributable profit of R208.5m ($60.9m) equivalent to 61 cents a share, and declaring a 21 cents a share total dividend.

At the time of the acquisition, the group estimated first-year earnings of 60.1 cents a share and a total payout of 20 cents. Previous year figures are not comparable as they pre-date the transaction, but the group – owner of the Del Monte brand in Africa, the Middle East and Europe – bettered its forecasts only through unexpected reductions in its interest bill and tax liability.

Mr Vivian Imerman, chairman, said a South African Reserve Bank ruling prevented disclosure of company details in the past year, but he hoped the release of new information would bolster the group's stock market rating in London and Johannesburg. He said the key to future earnings growth would be the development of new Del Monte and private label products, licensing agreements, and new market penetration in Europe and Asia.

Adverse currency movements, particularly the devaluation of the Italian lira, and tough trading conditions associated with recession in Europe, responsible for 80 per cent of sales, depressed turnover which at R1.28bn compared with a forecast R1.82bn.

Mr Enrico Sola, chief executive officer, said consumer spending was on the slide in most of the group's main markets.

However, Mr Sola said Del Monte had maintained its share of the premium brand market, without cutting prices, as the proliferation of cheap brands and private label lines affected rival products. Pre-tax profit stood at R233.3m, well below the forecast R331.5m.

Net interest payments of R32.2m were half the group's forecast reflecting lower interest rates in Europe and South Africa as well as a windfall gain from the strengthening of the financial rand through which DMFI was acquired, against sterling. The exchange rate gain cut the payment price by R192m to improve the debt-to-equity ratio and lower finance charges.

Soros joins $1bn fund investing in Asia

By Simon Holberton in Hong Kong

Mr George Soros, the US investor and speculator, yesterday joined Peregrine Investments, a Hong Kong-based merchant bank, in the launch of a $1bn fund to invest in Asian infrastructure projects.

This is the second fund in less than two weeks with which Mr Soros, who helped force sterling out of the European exchange rate mechanism in 1992, has been associated.

At the end of January he partnered GE Capital, the financial services arm of America's General Electric, in arranging a $2.5bn fund to invest in power projects in the developing world.

The Asian Infrastructure Fund will invest in power generation, transport projects and telecommunications systems in Asia and the Indian sub-continent. Peregrine said the fund had already identified potential investments worth $300m in China, India, Indonesia and three other countries.

Mr Soros' partnership with Peregrine is a compliment to Mr Philip Tose, Peregrine's founder and chairman, who has built the brokerage into one of the most powerful forces in Hong Kong's and China's financial community.

In addition to Mr Soros, who manages the Quantum Group of funds, the International Finance Corporation, the private finance arm of the World Bank, the Asia Development Bank, the Manila-based multilateral bank, and Frank Russell Company, a financial adviser, will contribute to the $400m to be raised for the fund.

Samancor sharply up at halfway

By Matthew Curtin

Samancor, the Gencor-owned South African ferro-alloys producer, has surprised the market by reporting unexpectedly good results in the half-year to end-December. Pre-tax profit before abnormal items jumped 58 per cent to R175m ($51m) against R111m a year earlier.

A 25 cents interim dividend is declared, up from 20 cents last year. The group's shares have doubled in value since February 1993, climbing 400 cents in the past month to R34 at yesterday's market close.

Mr Mike Salamon, managing director, said the performance contrasted with "miserable" demand in real terms for the group's products in most of its markets. He was confident Samancor would match first-half earnings in the second six months although he was no more than "vaguely warm" about commodity prices improving from late-1994.

The rand's weakness against the dollar and improved manganese alloy sales volumes bolstered turnover to R971.2m from R930.9m, although prices for the group's output fell across the board. Mr Salamon said ore and alloy markets were still blighted by a flood of cheap material from the former Soviet Union and China, added to poor demand in recession-hit Europe and Japan.

A turnround at the chrome division, which suffered large job cuts in 1992-93, was the main contributor to the group's improved operating performance, with extra benefit derived from the conversion of idle ferrochrome furnaces to silicomanganese and ferromanganese production.

Abnormal receipts stemming from an export allowance settlement and asset sales lifted overall pre-tax profit to R214.4m from R71.4m.

A return to a tax-paying position and reduced income from associates curbed the rise in distributable profit to R164.2m from R110.8m.

New president at Daishowa

Daishowa Paper, the debt-laden Japanese paper company, has replaced. Mr Kiminori Saito with Mr Shogo Nakano as president, bringing to an end the company's 56-year rule by the Saito family.

The move follows pressure from the company's main creditor banks, which have been reluctant to accept Daishowa's restructuring plan until it removed the family's influence. Daishowa's investments grew rapidly during the 1980s under Mr Ryoei Saito, the controversial honorary chairman.

Daishowa has been trying to work out a rehabilitation plan acceptable to its creditors.

Citic Pacific buys 50% of Discovery Bay owner

By Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong listed arm of the Beijing foreign investment company Citic, is to pay HK$3.4bn (US$440m) for a 50 per cent stake in Discovery Bay, a self-contained community on one of Hong Kong's outlying islands which is home to some 9,500 of the colony's local and expatriate citizens.

The deal, which sees Citic buying up 50 per cent of Hong Kong Resort Company – the group which owns and manages Discovery Bay, on the north-eastern coast of Lantau Island – from parent HKR International, gives further substance to Citic's already impressive portfolio. Other acquisitions include 12 per cent of Hongkong Telecom and 12 per cent of Cathay Pacific.

An additional payment of up to HK$150m will be paid by Citic to acquire the balance of assets in the holding company, after agreed assets have been stripped out.

HKR International, which retains 50 per cent of Discovery Bay, will continue to be responsible for the day-to-day management of the development.

INTERNATIONAL CAPITAL MARKETS

US rate hike takes the 'froth' off European bond markets

By Tracy Corrigan and Antonia Sharpe in London and Frank McGurty in New York

US and European bond markets fell sharply in the wake of Friday's quarter point hike in US interest rates.

However, dealers in Europe said that activity was concentrated in the futures market, and selling in the cash market was controlled. By the end of the day, prices had steadied, and most markets appeared to have consolidated at lower levels.

"European markets had been rallying strongly so far this year, and traders took advantage of the US move to take some of the froth out of the market," one trader said.

■ UK gilts opened sharply lower, and lost further ground when the US market opened weaker. But by the end of trading, prices had recovered to Monday's opening levels.

The March long gilt futures contract on Liffe ended at 116 19/32, down ¾ point on Friday's close, but little changed on the day. Although the UK is generally seen as lagging the US economic cycle by six months, it is ahead of the rest of Europe, so the advent of higher rates in the US reinforced expectations that the UK interest rate cycle will turn later this year.

"You can debate for hours when interest rates will go up but the fact is that over the medium term they are going up – and that makes playing the yield curve much more dangerous," said Mr John Kendall, an economist at Baring Brothers.

The market showed little reaction to the release of stronger consumer credit data for December, which underlined the fact that economic recovery is gaining ground. A modest upturn in the level of pay settlements according to the latest survey by Incomes Data Services, the information and research organisation, also pointed to potential inflation problems.

However, next week's inflation data is expected to show inflation under control.

■ It was a bad day across the Continent for government bond markets yesterday, but continuing hopes of interest rate cuts in Europe helped many to end above the day's worst levels.

In Germany, the long end suffered more than the short end, with yields on eight-year paper rising 12 basis points to 5.92 per cent and yields on 10-year bunds rising seven basis points to 5.84 per cent. Yields on two-year paper rose seven basis points to 5.24 per cent.

GOVERNMENT BONDS

"There has been a general shift up the curve due to the weakness in US Treasuries and supply concerns," said Mr Julian Callow, European economist at Kleinwort Benson.

He added, however, that the market had found some comfort in comments by Mr Hans Tietmeyer, president of the German Bundesbank and the Group of 10 central bank governors' chairman, that G-10 central bankers were not very concerned about the situation on foreign exchange markets following the Fed's decision to tighten monetary policy.

Mr Tietmeyer's comments pushed up the March three-month Euro D-Mark contract from an opening level of 94.26 to 94.32 by the late afternoon.

There were also glimmers of hope that the Bundesbank would announce a return to variable rate pacts this week which would enable the market to nudge the repo rate lower.

However, some dealers believed that the Bundesbank would put off any cuts in official rates until early March.

By the late afternoon, the March bund future on Liffe stood at 99.11 after a heavy day's trading, down 0.39 point on the day but off the day's low of 98.82.

■ News that the Belgian National Bank cut its central rate to 6.70 per cent from 6.85 per cent helped French government bonds to make a late recovery on hopes that the newly independent Bank of France would cut its interest rates at its council meeting this week. A firm French franc also underpinned the market.

Analysts said the weakness of the French economy and the fall in money supply growth justified an interest rate cut from "la Bubette", as the French central bank is now affectionately known in the market.

■ Italian government bonds rebounded from the day's lows as investors were attracted by their high yields. After hitting a low of 117.20, the March contract on Liffe recovered to 118.19 in late trading, up 0.09 point on the day.

■ The Japanese government bond market was the only sizeable market able to remain immune from the US Federal Reserve's interest rate hike. The market ended the day little changed.

In Japan, machinations over the fiscal package continued to dominate traders' attention. The latest expectations are for an agreement to be reached today and a new budget plan to be drawn up on Wednesday. However, expectations have been disappointed before, and the market remains rather sceptical.

Dealers said that another reason for the ability of the Japanese market to decouple itself from outside forces is that, unlike other markets, it has lost substantial ground in recent weeks, due to concerns about supply. Consequently, traders were not looking for an excuse to take profits, said one economist.

■ The US Treasury market fell further yesterday morning, extending Friday's big sell-off.

By midday, the benchmark 30-year government bond was 19/32 lower at 98, with the yield rising about 3 basis points to 6.399 per cent. At the short end, the two-year note was off 1/32 at 99 1/32, to yield 4.416 per cent.

Selling pressure was broad-based, but most intense in longer-dated securities, which sank only about a half a point in the wake of the Fed's surprise announcement that its policy-making arm had voted to lift short-term interest rates.

This week's influx of new supply was contributing to the market's sustained weakness. The Treasury is scheduled to auction $17bn in three-year notes today and $12bn in 10-year notes tomorrow.

But it was the $11bn sale of 30-year bonds on Thursday that was generating the most concern yesterday. The auction will come a day ahead of the release of January's producer price index, the next milestone in charting inflationary pressures which could undermine the long bond's value, and influence the timing of a further tightening by the Fed.

The PPI outlook is bearish, with forecasts centring on a 0.4 per cent jump in the overall index, and a 0.3 per cent gain after excluding energy and food prices, which tend to be volatile.

News Corp faces fight over Royal Doulton

By Antonia Sharpe

News Corporation, the media, film and publishing group controlled by Mr Rupert Murdoch, faces a legal battle with holders of its exchangeable preference shares. This follows the announcement yesterday that they were not entitled to £15m worth of shares in Royal Doulton, the fine china manufacturer which last year was demerged from Pearson, owners of the Financial Times.

The decision contradicted a notice from News Corp, published in the Financial Times on December 13, that holders of its preference shares, exchangeable for shares which News Corp held in Pearson, would also get Royal Doulton shares when exercising their exchange right.

Yesterday, News Corp backed up its claim to the 5¼m Royal Doulton shares by saying that the Royal Doulton transaction had not caused a change in the composition of the exchange property.

"The Royal Doulton shares would have constituted a capital distribution for the purposes of the articles of association of the companies if certain specified financial thresholds had been exceeded, but such financial thresholds have not been exceeded and, accordingly, no capital distribution has occurred," News Corp said. It declined to comment further.

Stockbrokers in London and Hamburg said they and their clients were seeking legal advice on whether they could make a counter-claim to the Royal Doulton shares. They also intended to press for compensation from News Corp for any financial losses incurred as a result of News Corp's actions since December 13.

UK building society launches £500m FRN

By Sara Webb

The Halifax Building Society dominated new issue activity in the international bond market with the launch of its £500m five-year floating-rate note yesterday, against considerable uncertainty regarding interest rate movements in the US and Europe.

Dealers said the US Federal Reserve's quarter-point increase in short-term interest rates on Friday had unsettled the Eurobond and government bond markets, putting a temporary halt on new issue activity and leading to a decline in bond prices in the secondary market (although spreads over the government bond markets were little changed overall).

However, with the financial markets in such a volatile condition, some syndicate officials regarded the decision by the Halifax to launch a FRN as a shrewd move. The £500m, five-year bonds carry a coupon of three-month Libor (currently at 5.5 per cent) and yielded an additional 6.5 basis points at the re-offer price of 99.72.

INTERNATIONAL BONDS

Halifax yesterday called in its existing £150m FRN which was due to mature in 1996 and which had a minimum coupon of 5 per cent. In recent weeks it has called in two other FRN issues, taking the total amount called in to £500m. Yesterday's new FRN issue was intended to replace those three bond issues without the 5 per cent minimum coupon, syndicate officials said.

Samuel Montagu and S.G. Warburg, joint lead managers, pointed out that the new deal would provide FRN investors with a large liquid issue, given that Halifax and Denmark now have the two largest FRN issues in the market.

However, other FRN experts said the large size and difficult market conditions meant that the bonds were taking quite a while to place, and some of the less enthusiastic syndicate members were seen offering the bonds at below the reissue price to offload them.

Even so, most market participants thought the bonds were priced fairly, given the Halifax's AA1/AA credit rating. "The pricing is right, but the size means it could take a while to place and we're sceptical as to whether there is enough demand to do £500m. However, FRNs do best when people are beginning to think that interest rates will go back up," said one veteran of the sterling sector.

Bangkok Bank, the largest bank in south-east Asia, yesterday launched a $400m, 10-year convertible bond issue due to be priced next week. Morgan Stanley, lead manager for the issue, has indicated a coupon of 3-3¼ per cent and a conversion premium of 23-26 per cent. Although there has been a slew of new convertible bond issues in recent months, market participants said that Bangkok Bank stands out as a relatively strong name.

● Moody's Investors Service may cut Venezuela's Ba-1 long-term ratings and Ba-2 rating for its par and discount bonds and floating rate notes, Reuter reports. Moody's said the action reflects the deterioration of Venezuela's economic fundamentals, a worsening of its public finances, the crisis in the country's financial sector and the increasing political instability and uncertainty.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bangkok Bank(a)§	400	(3-3¼)	100.00	2004	2.50	-	Morgan Stanley Intl
Maeda Corp.(b)ф	200	1.25	100.00	Mar.1998	2.25	-	Daiwa Europe
STERLING							
Halifax Building Society(c)‡	500	(d)	99.72R	Mar.1999	0.15R	-	S.Montagu/SG Warburg
FRENCH FRANCS							
Crédit Foncier de France(e)	730	7.60	100.00	Mar.1997	undiscl.	-	Bankers Trust France
SWISS FRANCS							
Cesar Co.(b)*§	100	0.75#	100.00	Mar.1998	-	-	Nomura Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. фWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price, fees are shown at the re-offer level. a) Indicated conv premium 23-26%. Mandatorily convertible after 3 yrs subject to 140% rule. b) Fixing: 14/2/94. c) Callable on any coupon date from Mar.97 at par. d) 3-mth Libor flat. e) Redemption formula: 75% x (1 + max [0, (CACf-CACi)/CACi]). CACi fixed today.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	120.2500	–0.880	6.38	6.14	6.44
Belgium		7.250	04/04	104.6800	–0.220	6.60	6.51	6.47
Canada *		7.500	12/03	106.2500	–0.700	6.62	6.36	6.51
Denmark		7.000	12/04	106.5000	–0.520	6.16	6.01	6.03
France	BTAN	8.000	05/98	110.1200	–0.150	5.27	5.10	4.95
	OAT	5.500	04/04	96.8500	–0.330	5.90	5.68	5.67
Germany		6.000	09/03	100.9500	–0.530	5.86	5.70	5.59
Italy		8.500	01/04	100.2800	–0.250	8.46†	8.37	8.66
Japan	No 119	4.800	06/99	107.7730	–0.160	3.11	2.93	2.36
	No 157	4.500	06/03	106.8220	–0.080	3.53	3.43	3.00
Netherlands		5.750	01/04	99.6800	–0.340	5.79	5.66	5.80
Spain		10.500	10/03	116.6500	–0.600	7.96	7.76	8.16
UK Gilts		9.750	01/98	113–00	–15/32	5.97	5.68	5.70
		6.750	11/04	101–27	–21/32	6.48	6.15	6.14
		9.000	10/08	120–17	–23/32	6.77	6.51	6.49
US Treasury *		5.750	08/03	98–18	–28/32	5.95	5.63	5.65
		6.250	08/23	98–00	–33/32	6.40	6.21	6.25
ECU (French Govt)		6.000	04/04	98.4700	–0.780	6.20	5.95	5.87

London closing. *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates

Prime rate	6
Broker loan rate	5
Fed.funds	3⅛
Fed.funds at intervention	3¼

Treasury Bills and Bond Yields

One month	3.27	Three year	4.70
Two month	3.28	Five year	5.35
Three month	3.31	10-year	5.98
Six month	3.48	30-year	6.39
One year	3.84		
Two year	4.42		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	128.78	128.74	-0.70	129.05	128.46	387,130	153,018
Jun	128.36	128.34	-0.70	128.53	128.14	13,261	16,064
Sep	127.54	127.54	-0.68	127.60	127.46	364	3,465

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
129	0.41	0.94	1.00	0.70	1.61	-
130	0.14	0.57	-	1.48	2.25	-
131	0.06	0.33	-	2.31	3.00	-
132	0.03	0.16	-	-	-	-
133	0.01	-	-	-	-	-

Est. vol. total, Calls 67,415 Puts 118,312. Previous day's open int., Calls 309,498 Puts 343,872.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.08	99.04	-0.46	99.15	98.82	234910	188942
Jun	99.07	98.95	-0.49	99.07	98.80	3762	5738

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
9900	0.43	0.92	0.39	0.97
9950	0.23	0.70	0.69	1.25
10000	0.10	0.52	1.06	1.57

Est. vol. total, Calls 34751 Puts 72901. Previous day's open int., Calls 249758 Puts 185006

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102.18	102.26	-0.24	102.32	102.11	2342	9700

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	117.30	118.00	-0.10	118.22	117.20	58576	80931
Jun	118.03	118.26	-0.13	118.27	117.90	171	6778

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11800	0.64	2.25	0.64	1.99
11850	0.41	2.00	0.91	2.24
11900	0.22	1.77	1.22	2.51

Est. vol. total, Calls 2090 Puts 1554. Previous day's open int., Calls 52446 Puts 60717

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.32	105.90	-0.43	106.32	105.63	64,480	101,445
Jun	105.71	105.89	-0.39	105.95	105.71	14	9,699

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116-14	116-16	-0-25	116-20	116-00	129864	115080
Jun	115-28	115-30	-0-25	115-29	115-24	442	1687

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
116	1-00	1-49	0-32	1-53
117	0-32	1-20	1-00	2-24
118	0-14	0-61	1-46	3-01

Est. vol. total, Calls 7122 Puts 11716. Previous day's open int., Calls 109980 Puts 67260

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	119.94	119.86	-0.60	120.06	119.60	4,033	12,468
Jun	-	94.86	-0.60	-	-	-	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	114-28	114-15	-0.13	115-04	114-10	671,177	337,193
Jun	113-26	113-15	-0.12	114-03	113-11	14,566	22,818
Sep	113-01	112-18	-0.14	113-04	112-15	4,120	34,060

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	113.80	-	-	113.93	113.49	1628	0
Jun	112.54	-	-	112.54	112.54	30	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 7	Day's change %	Fri Feb 4	Accrued interest	xd adj. ytd		Low coupon yield Feb 7	Feb 4	Yr. ago	Medium coupon yield Feb 7	Feb 4	Yr. ago	High coupon yield Feb 7	Feb 4	Yr. ago
1 Up to 5 years (25)	128.52	–0.36	128.98	1.81	1.23	5 yrs	5.94	5.81	6.47	6.18	6.04	6.98	6.28	6.14	7.16
2 5-15 years (21)	158.75	–0.65	159.78	1.60	1.97	15 yrs	6.69	6.60	8.06	6.78	6.70	8.56	6.97	6.89	8.84
3 Over 15 years (8)	183.99	–0.76	185.40	1.43	1.79	20 yrs	6.78	6.71	8.38	6.78	6.71	8.75	6.98	6.90	8.92
4 Irredeemables (6)	220.02	–0.77	221.72	2.76	0.00	Irred.†	6.87	6.81	8.78						
5 All stocks (60)	154.05	–0.58	154.94	1.68	1.67										

Index-linked							Inflation 5% Feb 7	Feb 4	Yr. ago	Inflation 10% Feb 7	Feb 4	Yr. ago
6 Up to 5 years (2)	189.05	–0.30	191.04	0.35	1.41	Up to 5 yrs	2.47	2.35	2.18	1.62	1.51	1.39
7 Over 5 years (11)	189.88	–0.55	190.92	0.71	0.57	Over 5 yrs	3.03	2.99	3.68	2.86	2.82	3.60
8 All stocks (13)	188.85	–0.53	190.00	0.67	0.66							

Debentures and Loans						5 year yield Feb 7	Feb 4	Yr. ago	15 year yield Feb 7	Feb 4	Yr. ago	25 year yield Feb 7	Feb 4	Yr. ago
9 Debs & Loans (65)	154.16	–0.81	155.42	2.96	0.56	7.69	7.46	8.72	7.77	7.66	9.64	7.83	7.75	9.85

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 7	Feb 4	Feb 3	Feb 2	Feb 1	Yr ago	High*	Low*
Govt. Secs. (UK)	104.38	105.03	105.56	106.05	106.37	95.34	107.60	93.28
Fixed Interest	129.66	131.47	131.80	132.33	132.59	110.82	133.87	108.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31
Gilt Edged bargains	136.1	122.7	96.5	111.3	97.8
5-day average	112.9	114.9	117.5	131.3	131.8

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	1993/94 Low
Shorts* (Lives up to Five Years)							
Treas 14½pc 1994‡‡		14.50	-	100xd	----	109¼	100
Exch 13½pc 1994		13.27	5.25	101¾	-⅛	109⅛	[illegible]
Treas. 10pc Ln. 1994‡‡		9.85	5.26	101[illegible]	[illegible]	[illegible]	[illegible]
Exch 12½pc 1994		12.03	5.23	103[illegible]xd	[illegible]	[illegible]	[illegible]
Treas 9pc 1994‡‡		8.74	5.14	102[illegible]	[illegible]	[illegible]	[illegible]
12pc 1995		11.28	5.12	106[illegible]	[illegible]	[illegible]	[illegible]
Exch 3pc Gas 90-95		3.06	4.76	98		98	94
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	1993/94 Low
10pc 2003		8.12	6.67	123[illegible]xd	[illegible]	127[illegible]	109[illegible]
Treas 11½pc 2001-4		9.08	6.71	126[illegible]	[illegible]	[illegible]	[illegible]
Funding 3½pc '99-4		4.25	5.75	82[illegible]	[illegible]	[illegible]	[illegible]
Conversion 9½pc 2004		7.86	6.71	120[illegible]	-1	[illegible]	[illegible]
Treas 6¾pc 2004‡‡		6.64	6.50	101[illegible]	[illegible]	[illegible]	[illegible]
6¾pc 2004 A (£50 Pd)		5.65	6.54	51[illegible]	[illegible]	[illegible]	51¼
Conv 9½pc 2005		7.83	6.73	121[illegible]	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5		8.98	6.89	139¼	[illegible]	[illegible]	[illegible]
[illegible]							

	Notes	(1)	Yield (2)	Price £	+ or –	1993/94 High	1993/94 Low
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	-	-	197[illegible]		137[illegible]	131[illegible]
2pc '96	(67.9)	1.40	2.36	201[illegible]	-½	204½	194[illegible]
4⅝pc '98‡‡	(135.6)	1.60	2.26	111½	[illegible]	[illegible]	105[illegible]
2½pc '01	(78.3)	2.26	2.68	174[illegible]	[illegible]	[illegible]	158
2½pc '03	(78.8)	2.48	2.78	171[illegible]	[illegible]	173[illegible]	155
4⅜pc '04‡‡	(135.6)	2.53	2.87	118[illegible]	[illegible]	118½	105½
2pc '06	(69.5)	2.58	2.81	182[illegible]	[illegible]	184[illegible]	159[illegible]
[illegible]							

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	1993/94 Low
[illegible]							

* "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on February 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅜	100⅝	-¼	6.44
AlbertaProvince 9⅜ 95	600	107⅝	108	-¼	4.63
Austria 8½ 00	400	113	113⅜	-¼	5.85
Bank of Tokyo 8⅜ 96	100	107	107¾	+⅛	4.86
Belgium 9⅝ 98	250	115¾	115⅞	-½	5.59
BFCE 7¾ 97	150	107¼	107¾	-⅜	5.14
[illegible]					
Deutsche Bk Fin 7½ 03	2000	106¾	107¼	-¼	6.49
ECSC 8⅝ 96	700	108⅛	108½	-¼	5.48
EEC 6½ 00	2900	104⅝	104⅞	-⅛	5.63
EIB 7½ 99	400	110⅝	111⅛	-⅜	5.30
Finland 7½ 00	3000	107¼	107⅞	-⅛	5.92
Italy 7¼ 98	5000	105⅝	105¾	-⅛	5.84
Norway 6⅛ 98	1500	102½	102⅝	-¼	5.44
Ontario 6¼ 04	1500	99¼	99¾	-⅜	6.49
Spain 7¼ 03	4000	108	108½	-½	6.36
Sweden 8 97	2500	108⅛	108¾	-¼	5.53

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	105⅞	106	-⅛	5.33
Volkswagen Intl Fin 7 03	1000	103	103⅜	-¼	6.55
World Bank 0 15	2000	27⅞	28¼	-⅜	6.02
World Bank 5⅜ 96	300	102½	102¾	-¼	4.47
World Bank 8¼ 00	1250	116¼	116⅝	-½	5.57
SWISS FRANC STRAIGHTS					
[illegible]					
Spain 9 96 Ecu	1000	106⅞	107	-⅛	5.69
United Kingdom 9⅛ 01 Ecu	2750	117⅛	117¼	-⅜	6.06
AIDC 10 99 A$	100	114	114¼	-½	6.79
BP America 12¼ 96 A$	100	111½	112	-⅛	6.16
Comm Bk Australia 13¾ 99 A$	100	131¼	131¾	-¼	6.84
Eksportfinans 12¾ 95 A$	75	108⅛	108¼		5.58
McDonalds Canada 15 95 A$	100	111⅞	112⅛	-⅛	5.80
NSW Treasury Zero 0 20 A$	1000	15½	15¾	-⅛	7.21
R & I Bank 7¾ 03 A$	125	103½	103⅞	-½	7.21
Sth Aust Govt Fin 9 02 A$	150	111⅛	111⅝	-½	7.21
Unilever Australia 12 98 A$	150	119	119½	-⅝	6.62

	Issued	Bid	Offer	Chg.	Yield
Alliance Leics 11¾ 97 £	100	114¾	115¼	-⅜	6.21
British Gas 12¾ 95 £	300	106⅞	107¼	-¼	5.60
British Land 8⅞ 23 £	150	104½	104⅝	-⅜	8.67
EIB 10 97 £	637	111	111⅜	-¼	5.88
Halifax 10⅜ 97 £	100	111¾	112⅛	-¼	6.06
Hanson 10⅜ 97 £	500	112⅞	112¾	-¼	6.49
[illegible]					
FLOATING RATE NOTES					
[illegible]					

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
[illegible]					
Mitsui Bank 2⅝ 03	200	2332.6	98	100	+23.78
Mount Isa Fin 6½ 97	100	2.283	103⅛	104⅛	+7.39
Natl Power 6¼ 08 £	250	4.38	128⅛	127	+13.54
Ogden 6 02	85	39.077	95⅝	96⅝	+66.08
Smith Nephew 4 02 £	90	1.775	130	133⅛	+50.82
Sumitomo Bank 3⅛ 04	300	3606.9	92½	93½	+30.78
Sun Alliance 7¼ 08 £	155	3.9	121¼	122⅛	+17.05
Tesco Capital 9 05 £	200	2.51	124⅛	125¼	+40.31
Texas Instruments 2¾ 02	300	82⅞	102⅝	103⅝	+21.07

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Bryant pleases City with surge to £14.6m

By Andrew Taylor, Construction Correspondent

Profits of Bryant Group, the Midlands-based housebuilder, jumped 95 per cent to £14.6m pre-tax during the six months to end-November.

The better than expected return prompted a 5p rise in the share price to 191p on a day when most other share prices were falling.

Mr Andrew MacKenzie, chief executive, said the improvement was due mainly to a strong performance from housebuilding which increased operating profits by 55 per cent to £13.5m (£8.7m).

The interim figures were also helped by a £300,000 return to profits from associated residential and commercial property operations. In the corresponding half year these had incurred a £1.9m deficit.

Interest payments declined from £900,000 to £400,000.

The interim dividend is maintained at 1.4p from earnings per share of 3.6p (1.9p).

Group turnover increased from £138.4m to £178.2m. The number of homes sold increased from 1,290 to 1,480. Average prices rose from £81,000 to £94,000 as the group reduced production of one and two bedroom homes to concentrate on higher margin large homes.

The mainspring of the profits improvement came in southern England where the group built some 600 homes and moved from a loss of about £2m to an operating profit of about the same amount.

Mr MacKenzie said the group had used up most of the zero and low margin land it had acquired expensively in southern England during the late 1980s.

The Midlands market, where the group also built about 600 homes, remained good, producing operating margins in excess of 15 per cent. The north of England generated reasonable profits after initial start-up costs.

Bryant expects to sell more than 3,000 homes in the current year, compared with 2,815 in 1992-93.

It anticipated that it would be building more than 4,000 homes a year by 1996.

Construction profits improved from £2.2m to £3.1m, helped by the timing of payments on successful claims rather than any general improvement in contracting.

Commercial property activities fared less well with operating losses increasing from £600,000 to £1.9m after provisions of £2m against some commercial properties.

Andrew MacKenzie: strong performance from housebuilding

● COMMENT

The market was rightly pleased with Bryant's first half performance. The switch to higher margin properties should continue to benefit while the geographical expansion is paying dividends. The high cost of the land bank – at an average £25,000 a plot (land acquired since the year end has cost £33,000 a plot) – may cause some eyebrows to rise but is justified, says Bryant, compared with an average selling price in 1994 expected to be at least £100,000 a home. Gearing currently is about 25 per cent, compared with 3 per cent at the half year, but the balance sheet can afford it. Pre-tax profits of £32m would put the company on a prospective p/e of more than 20. Pre-tax profits of £42m in 1994-95 would still leave the group on a multiple in the late teens. This rating may be justified but seems unlikely to rise much further with most of the good news already in the share price.

BASF steps in to take over chemical group's non-core polypropylene operations

Logic that led to ICI's disposal

By Daniel Green

Polypropylene, a material made in large quantities by Imperial Chemical Industries until yesterday, is a hard plastic used for car bumpers, kitchenware, packaging and a range of other products.

However, having sales of almost £2bn a year and customers in many industries has not prevented a chronic fall in prices in recent years which has triggered a series of mergers and takeovers.

Polypropylene is part of petrochemicals. In common with related materials such as polyethylene and polystyrene, production and prices rose strongly during the 1980s. But the 1990s saw demand fall and overcapacity exposed. The average annual price of polypropylene, for example, has fallen every year for the past five years, according to industry consultancy Trichem.

The consequences have been strenuous attempts across petrochemicals to cut output voluntarily. So far this has met with little success, although there have been a handful of plant closures such as that announced last month by BP Chemicals of its ethylene plant at Baglan Bay in Wales.

Manufacturers of polypropylene have been able to use mergers to cut costs because the sector is particularly fragmented. There are no less than 17 companies operating in Europe that have market shares of more than 2.5 per cent. Only two companies have more than 10 per cent of capacity.

Some of the industry's biggest producers have therefore grasped the opportunity to merge their businesses. Three such deals are either complete or awaiting only regulatory approval before completion:

- The plastics businesses of Royal Dutch/Shell and Himont, part of Montedison, the industrial arm of the collapsed Ferruzzi empire.
- Neste of Finland and Statoil of Norway, a merger which will create a group called Borealis with annual sales of about DM4bn (£1.5bn). About 13 per cent comes from polypropylene manufacture.
- ICI's sale to BASF, which will make the latter the second biggest producer in Europe.

In the new-look European polypropylene industry, these three dominate with more than half of total capacity. BASF moves from seventh to second biggest company, pushing German rival Hoechst into fourth place.

BASF also points out that polypropylene sales are growing more quickly than those of other plastics. And prices may soon recover too: although last year saw polypropylene prices on average lower than in 1992, some individual months saw price increases imposed by manufacturers sticking. One result was that the business it is buying from ICI halved its losses last year to about £10m compared with the previous year.

For ICI, the picture appears to be more mixed. It was only the eighth biggest polypropylene producer in Europe. The business did not fit with its strategy of concentrating on a handful of core businesses in which it is a world leader and a disposal was logical.

However, the sale of polypropylene was intended to be just one half of a deal which would further this strategy by strengthening the core business of acrylics. The deal was originally constructed as a swap for BASF's acrylics operation. That part of the plan collapsed in November when the two sides could not agree on a value of the business, leaving ICI frustrated in its ambitions to tighten its grip on the world acrylics manufacturing industry.

WESTERN EUROPEAN PRODUCTION CAPACITY IN POLYPROPYLENE

Pre-consolidation capacity Basis end-1994 (estimated)

Company	Tonnes 000	%
Himont (Italy)	1033	18.3
Shell (Neth/UK)	625	11.1
Hoechst (Germany)	548	9.7
Neste (Finland)	410	7.3
Appryl (*)	350	6.2
OMV (Austria)	330	5.9
BASF (Germany)	310	5.5
ICI (UK)	300	5.3
DSM (Neth)	280	5.0
Others	1456	25.7
Total	5640	100.0

Post-consolidation capacity Basis end-1994 (estimated)

Company	Tonnes 000	%
Himont/Shell	1658	29.4
BASF/ICI	610	10.8
Neste/Statoil (Borealis)	590	10.5
Hoechst	548	9.7
Appryl	350	6.2
OMV	330	5.9
DSM	280	5.0
Others	1276	22.5
Total	5640	100.0

*BP/Elf/Atochem joint venture

Source: Trichem Consultants

Acquisitions behind 5% rise to £151m at WMI

By Peggy Hollinger

Waste Management International, the aggressive UK-quoted arm of the US group WMX Technologies, yesterday signalled its intention to rein in the acquisition programme which has underpinned its growth in a difficult market.

Mr Nigel Wilson, finance director, said the company intended to focus on organic growth in east Asia, rather than on expansion through acquisition in Latin America or a more difficult Europe.

"The opportunities there are coming much more quickly than expected," Mr Wilson said. Between £70m and £100m had been set aside for acquisitions, against £170m last year.

Total capital investment was also being sharply curtailed, from £400m to £275m.

The purchase of 48 companies was largely responsible for the group's 5 per cent increase in pre-tax profits to £150.9m for the year to end-December. Sales rose by 15 per cent to £941.4m.

On a like-for-like basis, however, sales were 6 per cent lower.

The UK had returned the strongest performance, partly due to the joint venture with Wessex Water and the cost benefits from acquisitions.

WMI suffered a downturn in sales in Italy, where political problems were holding up approvals for landfill sites.

Mr Wilson said he was confident that WMI would see some organic growth in Europe this year, in spite of the current economic difficulties. Legislation was creating new opportunities in France and Germany, he added.

In the fourth quarter, WMI reported a fall in pre-tax profits from £40.9m to £40.5m, due to a turnround in interest. WMI paid £1.9m, against a gain of £6.9m. Sales were 12 per cent up at £250.6m.

In line with previous policy, there is no dividend. Annual earnings per share increased from 23.3p to 26.5p.

● COMMENT

WMI is taking the logical step of pulling itself away from a stagnant continental Europe. Yet while east Asia holds great promise, it is not expected to have a significant impact in the short term. Forecasts are for £166m this year, leaving a prospective p/e of 23.2. This looks more than up with events at the moment, although further out the focus on east Asia may prove more attractive. Perhaps the board will even reward shareholders with a dividend payment next year.

See International Companies

Glaxo asthma drug wins US approval

By Daniel Green

Glaxo has belatedly won US approval for one of its most important products of the 1990s, the inhaled asthma treatment Serevent.

The US Food and Drug Administration had been expected to approve the drug in December and Glaxo shares fell when this did not happen.

After Serevent's approval yesterday, the shares rose 15p to end the day with a net fall of 2p at 664p.

The drug is important to Glaxo because it is a successor to Ventolin, the long standing big seller in asthma treatment. Such respiratory treatments are second in importance only to ulcer drugs in Glaxo's therapeutic portfolio, accounting for almost one quarter of total sales.

The older drug has now lost much of its patent protection and the company is relying on Serevent to underpin its position in the market.

The drug was approved in Europe in 1991 and should eventually reach sales of £350m a year, according to James Capel, the broker. In the last full year, Serevent sold £73m while Ventolin sales were worth £484m.

The drug had a setback last month, however, when Italian government healthcare reforms favoured Ventolin by excluding Serevent from a list of drugs the government would pay for. Glaxo lodged an appeal against the ruling.

Abbott Mead wins BT contract

By Diane Summers, Marketing Correspondent

Abbott Mead Vickers, the advertising agency, has landed what it claims is the "largest single new business win in the history of British advertising", with a contract from British Telecommunications worth £50m in annual billings.

The agency's shares rose 27p to close at 660p.

BT said the agency's brief was to increase the personal use of telephones. Domestic use is 25-30 per cent lower in the UK than in the US and the network is a "very under-utilised fixed asset," said BT. The aim was to encourage people to make more calls and stay on the phone for longer.

There has been concern within BT that since the days of the "Beattie" campaign, which was devised by J Walter Thompson, part of the WPP group, the organisation's advertising had become too fragmented.

Recent campaigns had been divided between agencies Simons Palmer Denton Clemmow and Johnson, and Saatchi & Saatchi.

The latest move to AMV will consolidate all personal telephone advertising under one roof.

Simons Palmer and Saatchi & Saatchi, as well as BMP DDB Needham, pitched against AMV for the latest campaign.

AMV has done work for BT before: it devised its Yellow Pages advertising and is also working on raising awareness of code changes planned for next year.

Woodchester shares fall 30p on profits warning

By Tim Coone in Dublin

Shares in Woodchester Investments, the Dublin-based leasing and banking group, tumbled 30p to 128p yesterday following a profits warning from the company as a result of restructuring costs in the UK and Ireland amounting to I£15m (£14.4m).

The company reported a 6 per cent drop in pre-tax profits to I£16.4m in the first half of 1993, and said pre-tax profits for the second half, and before the new exceptional item, "will be broadly in line" with that.

Woodchester said the provisions were "deemed to be fully adequate and are of a one-off nature." They are necessary to reduce "an unacceptably high cost base" and to eliminate a number of "peripheral product lines which are unprofitable." The restructuring would result in a "significant improvement" in the company's long-term profitability.

Credit Lyonnais, Woodchester's majority shareholder, "has fully endorsed the restructuring plan... and has formally reaffirmed its full commitment to the continued development of the group."

At end-1993 NCB stockbrokers in Dublin forecast full-year pre-tax profits of I£37.5m.

ISSUE NEWS

Rothschild biotech trust launch

By David Wighton

The first investment trust to specialise in biotechnology shares is about to be launched by Rothschild Asset Management.

Due to be announced in the next two weeks, the fund, which hopes to raise more than £100m, will seek to tap the upsurge in interest in the sector fuelled by a stream of flotations.

Other fund management companies are hoping to launch similar trusts and will be watching the response keenly.

The trust will be managed by the same team which runs Biotechnology Investments, a $200m (£130m) Guernsey-registered fund launched by Rothschild 12 years ago. Headed by Mr Jeremy Curnock Cook, the team can claim to be the one of the most experienced in the sector outside the US.

The fund, which Rothschild has been working on for two years, is expected to invest in both quoted and unquoted biotechnology companies.

In Britain it will have a rapidly growing group of quoted companies from which to choose. Relaxation of listing rules for research-based businesses has led to a flood of new issues during the last 18 months with many more in the pipeline for this year.

There has also been renewed investor interest in the US where biotechnology shares have started to recover after a two-year slump.

US experience shows that, while a few biotechnology companies have been spectacularly successful, most disappoint. The promoters of biotechnology trusts will argue a broadly-based portfolio should provide investors with a better chance of picking the winners.

Radstone for market via placing

By Paul Taylor

Radstone Technology, a specialist electronics group which designs and manufactures advanced computer subsystems for industrial and military use, is coming to market through a share placing which is likely to value the Towcester-based company at between £15m and £20m.

The group is the independent market leader in the production of off-the-shelf computer boards for use in severe environments such as factories or weapons systems.

Because its subsystems comply with the Versa Module Europe open systems standards it has benefited from the switch away from proprietary systems and from budgetary pressure on defence spending.

The group, which also owns Foundation Technology, a specialist surface mount technology board assembler, reported profits before exceptionals of £985,000 on turnover of £25.9m in the year to end-March 1993. Pre-tax profits were £1.87m. Turnover has grown at a compound rate of 14 per cent a year over the past four years and the group currently has a £21m forward order book.

Radstone's sophisticated electronic products are used in applications ranging from US submarine and Patriot anti-missile missile systems to medical nuclear magnetic resonance scanners, motorway toll collection equipment and North Sea oil rig safety systems.

The group has about 500 customers worldwide with its 45 largest customers accounting for 75 per cent of sales. Last year its main customers included Marconi, Lockheed, Siemens, IBM, Thomson and GE. About 70 per cent of its sales are military and a similar proportion of group turnover comes from exports.

The placing, sponsored by Beeson Gregory, will raise about £7m in new funds for the group, of which £4m will be used to repay convertible stock, leaving the group with a strong balance sheet and no gearing.

The prospectus is expected to be launched later this month with trading in the new shares due to start at the beginning of March.

EFM seeks £75m for Latin trust

Edinburgh Fund Managers is hoping to raise more than £75m with the launch of a new investment trust specialising in Latin America, writes Bethan Hutton.

The Edinburgh Inca Trust will invest 70 per cent in medium and larger companies, and 30 per cent in smaller companies, initially in Mexico, Argentina, Brazil, Chile, Columbia and Peru.

The institutional placing will start this week, and the public offer is expected to open on March 11 and close after two weeks. Shares will be issued at 50p with one warrant attached to every five shares.

EFM launched a Latin American unit trust in 1992, which is the third best performing unit trust in the international equity growth sector over the year to February 1, according to Hardwick Stafford Wright.

Slimma gains 19p on first day

Shares in Slimma, the women's clothing and outsize garments manufacturer, yesterday closed up 19p at 141p on their first day of trading.

The closing figure represented a 21p premium over the placing price. The flotation proceeds of £2.65m will be used to reduce gearing and increase output.

F&C aims to raise at least £30m

By Bethan Hutton

Foreign & Colonial Ventures is to launch two parallel venture capital funds, the Private Equity investment trust and a limited partnership with the same investment objectives. The combined funds aim to raise at least £30m.

They will invest in small to medium-sized unquoted companies, mainly management buy-outs and companies seeking to expand or make acquisitions, rather than start-up companies. The two will have initially identical portfolios, in proportion to the amount of money raised by each.

After the initial investment period, the proceeds of realisations from the limited partnership will be returned to investors, whereas the investment trust will reinvest all proceeds. Both funds will have an initial life of 10 years, but the investment trust can be extended by shareholders' vote after six years.

Shares will be issued partly paid, with 50 per cent payable immediately, and 50 per cent in November 1995. There will be no public offer, and the minimum subscription in the placing will be £20,000.

Mr James Nelson, managing director of Foreign & Colonial Ventures, said there was evidence of demand for both types of investment structure, but the choice for investors preferring a quoted fund was limited.

Reassurance for Japanese over Rover sale

Mr Michael Heseltine, the trade and industry secretary, yesterday sought to allay Japanese concern over the sale of Rover to BMW.

A written parliamentary question by Mr Nicholas Winterton, Conservative MP for Macclesfield, asked what assessment had been made of the impact of the sale on the attraction of investment from Japan.

Mr Heseltine answered: "The long held welcome which this government and country has given to investment from Japan is as strong as ever."

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Black (Peter)	int	1.12	Apr 29	0.93	-	3.7
Bryant	int	1.4	Apr 26	1.4	-	4.8
Dalgety	int	8	July 1	7.85	-	20.5
French Property	fin	1.4	Apr 29	1.3	2.4	2.3
P&P	fin	1.2	May 14	0.7	2	1.4

Dividends shown pence per share net.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	JAPAN Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.2	99.4	85.0	100.8	95.3	101.4	103.3	118.5
1987	105.6	100.7	103.8	96.7	76.2	101.2	92.5	103.1	100.6	123.0
1988	109.9	103.2	106.9	98.1	71.1	102.2	92.3	107.8	98.2	131.1
1989	115.2	108.5	110.0	101.1	74.9	104.9	94.2	114.0	96.1	123.8
1990	121.5	113.8	113.8	104.3	73.4	108.2	95.7	120.1	98.2	108.5
1991	126.6	116.3	117.3	107.8	74.1	111.8	96.8	124.2	101.8	114.6
1992	130.4	117.7	120.2	108.1	74.0	113.9	95.8	125.6	111.1	116.1
1993	134.3	119.2	123.4	105.3	76.4	115.3				133.8
1st qtr.1993	3.2	2.0	2.8	-1.9	77.5	1.2	-1.1	-0.5	7.0	124.2
2nd qtr.1993	3.2	2.0	2.5	-2.3	75.6	1.0	-1.4	0.7	5.3	132.9
3rd qtr.1993	2.8	0.8	2.5	-2.7	76.1	1.6	-1.8	0.4	4.7	140.5
4th qtr.1993	2.7	0.3	3.0	-3.2	78.5	1.2				137.3
February 1993	3.2	2.0	2.5	-2.1	77.8	1.3	-1.0	1.3	7.3	124.7
March	3.1	2.0	2.5	-2.0	77.0	1.2	-1.2	1.0	3.6	127.7
April	3.2	2.5	2.5	-2.1	75.6	0.9	-1.3	2.0	5.4	129.9
May	3.2	2.1	2.5	-2.1	75.5	1.1	-1.5	2.3	6.1	132.0
June	3.0	1.3	2.5	-2.8	75.8	1.0	-1.5	-0.9	4.6	136.8
July	2.8	1.3	2.5	-2.5	77.1	1.6	-1.7	-1.2	5.4	138.5
August	2.8	0.5	2.5	-2.7	75.9	2.0	-1.8	2.3	3.4	143.7
September	2.7	0.5	2.5	-2.8	75.3	1.3	-2.0	1.5	5.4	139.2
October	2.8	0.2	2.5	-3.1	75.6	1.2	-2.1	0.6	6.0	138.3
November	2.7	0.3	3.3	-2.5	76.7	0.9	-2.1	0.9		138.5
December	2.8	0.2	3.3	-3.8	77.2	1.3				135.4
January 1994					77.2	1.4				133.7

	GERMANY Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	FRANCE Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.8	103.8	107.5	102.5	97.2	104.5	101.5	103.4
1987	100.1	95.1	108.0	107.1	111.0	105.9	97.8	107.8	103.0	104.8
1988	101.4	96.2	113.0	106.9	110.1	108.8	102.6	111.1	103.8	102.2
1989	104.2	99.3	117.3	108.0	107.9	112.6	108.4	115.4	106.3	99.8
1990	107.0	101.0	123.8	110.3	110.9	116.5	107.1	120.6	109.5	103.6
1991	110.7	103.4	131.8	115.0	108.4	120.2	105.6	125.8	113.8	101.7
1992	115.1	104.8	138.6	121.5	111.0	123.1	104.0	130.3	115.6	105.2
1993	119.8	104.8			112.5	125.6		133.7		107.9
1st qtr.1993	4.3	0.5	n.a.	9.7	113.9	2.1	-2.3	n.a.	4.4	109.4
2nd qtr.1993	4.2	-0.2	n.a.	5.4	111.9	2.0	-3.4	n.a.		109.2
3rd qtr.1993	4.2	-0.3	n.a.	1.6	112.0	2.2	-3.4	n.a.		108.0
4th qtr.1993	3.7	-0.2	n.a.		112.3	2.1		n.a.		107.0
February 1993	4.2	0.5		11.4	114.1	2.1	n.a.	-	n.a.	108.7
March	4.2	0.3		6.2	113.5	2.2	n.a.	3.4	n.a.	109.6
April	4.3	0.1		7.5	113.1	2.1	n.a.	-	n.a.	109.8
May	4.2	-0.3		5.3	111.9	2.0	n.a.	-	n.a.	109.3
June	4.2	-0.4		3.4	110.8	1.9	n.a.	2.6	n.a.	108.5
July	4.3	-0.2		3.1	110.3	2.1	n.a.	-	n.a.	106.2
August	4.2	-0.3		0.2	111.9	2.2	n.a.	-	n.a.	104.9
September	4.0	-0.5		1.4	113.7	2.3	n.a.	2.3	n.a.	106.9
October	3.9	-0.3		-0.4	113.6	2.2	n.a.	-	n.a.	106.7
November	3.6	-0.2			112.1	2.2	n.a.	-	n.a.	106.4
December	3.7	-0.1			111.2	2.1	n.a.	2.2	n.a.	107.9
January 1994	3.4				109.5		n.a.	-	n.a.	107.5

	ITALY Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	UNITED KINGDOM Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	101.3	103.4	101.4	107.7	104.5	94.2
1987	111.0	103.2	111.6	105.5	102.0	107.7	104.9	116.3	105.9	94.6
1988	116.5	106.8	118.4	109.7	100.2	113.0	108.7	126.2	108.9	102.4
1989	124.2	113.1	125.6	112.3	103.6	121.8	113.9	137.2	113.6	101.3
1990	131.8	117.8	134.7	118.9	106.2	133.3	121.0	150.1	123.2	102.8
1991	140.3	121.7	147.9	131.3	104.9	141.2	127.5	162.4	131.7	106.1
1992	147.7	124.0	155.9	136.8	101.4	146.4	131.5	173.1	133.8	103.0
1993	153.9				86.7	148.7	136.7			95.2
1st qtr.1993	4.3	3.1	2.8	4.4	86.4	1.8	3.6	4.7	-2.7	92.6
2nd qtr.1993	4.1	3.9	3.1	2.8	89.0	1.3	4.0	5.0	-1.9	94.9
3rd qtr.1993	4.3	4.3	4.1		87.5	1.6	4.3	4.4	-0.6	96.7
4th qtr.1993	4.1				85.1	1.6	3.9			96.6
February 1993	4.4	2.9	2.8	n.a.	86.6	1.8	3.6	5.1	-2.5	90.3
March	4.2	3.4	2.7	n.a.	84.5	1.9	3.7	4.2	-2.7	92.2
April	4.2	3.7	2.6	n.a.	85.1	1.3	4.0	5.3	-1.3	95.0
May	4.0	3.9	2.6	n.a.	89.2	1.3	4.0	4.8	-4.1	95.1
June	4.2	4.1	4.1	n.a.	89.7	1.2	4.0	4.9	-0.4	94.7
July	4.4	4.2	4.1	n.a.	88.3	1.4	4.2	5.0	-1.1	97.0
August	4.4	4.4	4.1	n.a.	87.5	1.7	4.3	3.6	-1.0	96.8
September	4.2	4.3	4.2	n.a.	86.6	1.8	4.3	4.5	0.2	98.2
October	4.3	4.1	3.9	n.a.	86.1	1.4	4.0	3.8	0.4	95.8
November	4.2			n.a.	85.0	1.4	3.8	3.8	0.1	96.6
December	4.0			n.a.	84.2	1.9	4.0			97.4
January 1994	4.2			n.a.	84.5					99.1

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 15 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

Peter Black advances 22% to top £7m

By Tim Burt

Increasing demand from Marks and Spencer last year fuelled a 22 per cent rise in interim profits at Peter Black, the supplier of footwear, cosmetics and accessories to the UK's most profitable retailer.

Reporting pre-tax profits of £7.01m (£5.73m) for the six months to December 4, the West Yorkshire-based company said the improvement would create significant opportunities for organic growth.

Those opportunities have persuaded the group, which relies on M&S for 65 per cent of its turnover, to commit £10m to a new plant making personal care products in south Derbyshire. Mr Gordon Black, joint chairman, said the development was justified by a 12 per cent increase in turnover to £68.6m (£61.1m).

"The strong cash generating capability of the business has enabled the group to maintain its programme of investment in product development, plant and information technology while at the same time eliminating gearing," he added.

Borrowing was down by almost £4.5m against the second half figure and Mr Black, whose family controls 30 per cent of the equity, said expansion in its three divisions could be financed from reserves.

Of those divisions, personal care products accounted for the largest slice of profits, up 23 per cent to £3.26m (£2.65m). Improved turnover of £24m (£21m) was due partly to buoyant demand for natural health products, including vitamins and herbal remedies sold under its English Grains label.

Growing imports of handbags and Italian shoes helped the footwear and accessories division increase pre-tax profits by 26 per cent to £2.81m (£2.23m) on turnover up 12 per cent at £37.2m.

The distribution, leisure and retail sector – including factory outlets and the Hornsea Freeport shopping centre – contributed £948,000 (£845,000) to profits despite flat turnover of £7.4m (£7m).

Earnings per share rose to 8.59p (7.05p) and the interim dividend goes up to 1.12p (0.93p).

● **COMMENT**

Should sales collapse, Peter Black executives claim they could make a profit running courses for would-be M&S suppliers. Certainly making products for the St Michael label has paid rich dividends. Yet the company has reduced potential risks by also signing supply deals with Sainsbury, Tesco and Safeway. That strategy, coupled to a flourishing distribution network serving 30 companies, has boosted full year profit forecasts to £11.5m, giving a p/e of 19. While expensive for investors seeking a quick gain, the shares look safe a bet for long-term growth.

Ashley Ashwood

Gordon Black: strong cash generating capability

A life of champagne or Valium

Peter John considers the thrills and dangers of large share deals

Share traders say the most nerve-wracking moment of a "bought deal" is the five minutes before the first bite from buyers.

After weeks of research and negotiations, the brokerage house has bought a multi-million pound block of a company's shares from one investor and then has to find other investors to take them off its books. For the short time between making offers to institutions and the buy orders flooding in, dealers cannot be sure whether they will be cracking open champagne or Valium.

Bought deals are one of the bigger adrenalin rushes of the stock market. They place reputations of senior salesmen and heads of marketmaking under intense pressure as they put the capital of their companies at risk.

Last week, Smith New Court, the securities house with one of the most aggressive trading reputations in the UK, paid £162m for 46m shares in Prudential, the UK's biggest insurance company.

It is the second time in two weeks that the securities house has taken on risky share sales. Three weeks earlier it traded 13m shares in Great Universal Stores.

If the market had fallen heavily between the time Smith agreed the Prudential deal and the time it started to offer shares for sale there would have been ways of protecting against huge losses.

The broker could have hedged against any falls using the derivatives market, for example by buying call options which give the right to sell stock at a pre-set price and time.

Bought deals are the adrenalin rushes of the stock market. They place reputations of senior salesmen and heads of marketmaking under an unforgiving spotlight

However, once word leaked into the market that Smith had a large amount of stock for sale the result depended purely on the appetite of the stock market and the broker's ability to place the shares quickly.

Smith has analysts dedicated to identifying potential clients interested in buying or selling large stakes. The Prudential deal began weeks ago when Smith approached an investment fund, believed to be Baring Securities, which appeared willing to sell its Pru stake.

Mr Michael Marks, Smith's chief executive, and Mr David Marks (no relation), head of its UK marketmaking, discussed the deal with half a dozen senior colleagues. They met in the "goldfish bowl", the glass office above the trading room where significant decisions are made, and agreed they would be interested in taking on the stake, representing almost 2.5 per cent of Prudential's equity.

Subsequently, senior sales traders from the securities house rang financial institutions to gauge what level of discount they would need to persuade them to buy large blocks of shares.

Early last week, the stock market was hitting new highs and Prudential shares were available at about 370p. Smith found that fund managers were prepared to pay 354p and decided they could pick up the stake at 350p.

With that "turn" Smith stood to make a profit of £1.8m. However, it is more likely that the broker would have reckoned on about half the shares being sold at that price and the rest being offloaded on a sliding scale. That would probably still leave Smith £1m to the good, according to rival analysts' estimates.

The traders had 'pre-placed' many of the shares by getting orders from their best institutional clients.

Smith did not buy the shares until shortly before the sales desk had to face the test of the market last Thursday afternoon. If the discount was not sufficiently generous rival marketmakers would have cut the price at which they were offering Prudential shares forcing Smith to slash its potential profits in order to get the shares away.

The only option would have been to hold the stake until the excitement subsided and then ease the stock quietly into the market over the coming weeks.

In the event, Smith sold the entire stake, including those which had been pre-placed, on Thursday afternoon. The Valium was put back in the drawer – until next time.

NEWS DIGEST

Blockleys shares show further rise

Blockleys, the Shropshire-based brick and pavior maker, yesterday said it knew of no reason for the recent increase in its share price.

Last night Blockleys' shares closed up 12p at 83p following a 5p rise on Friday.

In 1992, the company reported a fall in pre-tax profits to £352,000 (£1.06m) and for the first half of 1993 there was a further decline to £261,000 (£410,000).

Life Sciences buys in Belgium

Life Sciences International has acquired the business and certain net assets of Techgen International of Belgium for BFr5m (£95,000).

Techgen, which was in liquidation and distributes scientific equipment and consumables to research laboratories, had turnover of BFr45m in the year ended June 30 1993.

Bradstock buys insurance broker

Bradstock, the insurance broker, is to acquire Jensen Dickens, a broker specialising in marine and transit insurance for the freight transport industry.

Initial consideration is £2.43m, of which £500,000 is in cash and £1.93m in unsecured loan stock. A deferred amount of up to £1.75m may be payable in loan stock dependent on Jensen's future results.

Turnover of Jensen in 1992 was £1.18m (£1m). Pre-tax profits rose from £52,000 to £277,000 and further growth is expected for 1993.

Net assets at December 31 1992 were £347,000 (£179,000).

Low & Bonar makes C$6.3m acquisition

The Canadian subsidiary of Low & Bonar, the packaging and materials group, is buying the multiwall paper and industrial plastic bag business of Twinpak for C$6.3m (£3.2m) cash.

It will pay C$4.6m on completion and the balance a year later. It will also transfer certain coating and laminating assets with a book value of C$4.7m.

Birkdale disposal eliminates debt

Birkdale Group, the loss-making advertising, public relations and marketing company, has sold the Macmillan Davies Group and its subsidiaries for £1.61m cash.

The consideration, which includes the repayment of inter-company debt, will be adjusted according to the net liabilities of Macmillan Davies on the completion date.

The disposal will result in a profit of about £250,000, which will be used to eliminate outstanding borrowings.

Birkdale raised some £4.7m last year via two rights issues to finance the acquisition of MK Design-In-Store. It also sold its Lewis Broadbent advertising agency for £127,000.

In the six months to end-September 1993 the group incurred a pre-tax loss of £1.47m on turnover of £10.4m.

AXA Equity premium income tops £1bn

Total premium income at AXA Equity & Law, the life assurance and pensions arm of the AXA group, exceeded £1bn for the first time in 1993.

Total funds under management in its unit trust subsidiary also exceeded £1bn for the first time.

Total new business rose by 20 per cent, from £675m to £807m.

Within the UK, the results reflected the emphasis throughout the life industry on single premium rather than regular premium products.

Total UK insurance single premiums rose by 19 per cent to £520m, helped by the doubling of unit-linked life single premiums to £159m. Pensions single premiums were, however, 7 per cent lower at £155m.

There was a 1 per cent rise in new annual premiums in the UK, to £59m, with a particular rise in mortgage-related business.

Individual pensions annual premiums fell by 4 per cent to just over £24m.

Total new business at AXA Equity & Law International, the group's offshore company, rose by 39 per cent to £60m.

Withdrawal from low margin computer distribution business behind advance

Slimmer P&P ahead sharply at £4.1m

By Paul Taylor

P&P, the personal computer distributor and computing services group which has pulled out of the low margin, high volume computer distribution business over the past 12 months, yesterday reported sharply higher full-year pre-tax profits.

Profits of £4.1m in the 12 months to November 30 compared with a pre-FRS 3 outcome of £2m last time. The adoption of new accounting rules resulted in a restatement of the prior year results to show a £7.87m pre-tax loss after £9.88m of exceptional charges.

Turnover remained relatively stable at £217.3m (£222.8m) despite the continued downward movement in unit product prices throughout the year and the disposal of the high volume distribution businesses in the UK and Belgium, which contributed £32.6m to total turnover.

However, the flat turnover masked a substantial change in the business mix as the group withdrew from the lower margin distribution business to focus on higher margin computing services and higher value computer product sales.

Overall gross margins, including the discontinued operations, improved to 19.1 per cent from 18.3 per cent, while the gross margin on continuing operations was 20.7 per cent.

At the operating level profits grew to £4.53m (£3.14m) including £174,000 from the discontinued businesses. Mr David Southworth, group managing director, said P&P was targeting a 5 per cent net margin.

He said 1993 had been a transition year for the group. "These results are very pleasing and reflect the substantial progress we have made during the year against the background of a difficult market, and the refocusing of our activities."

The pre-tax profits were struck after £4.63m of losses on the disposal of discontinued operations, offset by a £4.74m utilisation of 1992 provisions, and £535,000 (£1.13m) of net interest costs. The group ended the year with £7.5m of net cash, up from £3m a year earlier.

Earnings per share of 4.3p compare with fully diluted earnings of 1.9p before the FRS 3 restatement and a 14p a share losses after restatement. The final dividend is increased by 71 per cent to 1.2p, making a total for the year of 2p (1.4p).

● **COMMENT**

P&P's management has successfully disengaged the group from the high volume distribution business where gross margins were a paltry 10 per cent to concentrate on higher margin services and products – including the desktop communications market. Meanwhile costs have been brought under control, and in future the group will be targeting profit rather than turnover. Pre-tax profits should reach £5.2m this year, producing earnings of about 5.6p. The shares, which shed 1p to close at 82p yesterday, are trading on a prospective p/e multiple of 14.6 and, despite a recent run-up, still have recovery potential.

Possible bid for IFM if SE quote is kept

By Tim Burt

Workers at International Food Machinery, the second-hand catering equipment supplier, were told yesterday it would continue to trade despite being placed in receivership.

Arthur Andersen, appointed as receiver last Friday, said the workforce would be kept on while it considered bids for the Grimsby-based business.

The company, which was floated only 14 months ago, called in Andersen following a meeting with its bankers.

"We have had contact with two parties interested in the group," the receivers said.

One of those bidders said yesterday that it had put together an offer worth at least £1m, although that depended on IFM retaining its Stock Exchange listing.

Mr David Lassen-Diesen, the property investment entrepreneur, said the receivers had contacted his group asking whether their offer, first proposed last December, was still on the table. "We are keen to proceed but only if it keeps the quote, allowing us to get funding from institutions," he said.

The other interested group is thought to involve IFM board members and Mr Sandy Saunders, the former Sunleigh director.

Manchester City sees full listing as goal

By Gary Evans

Details of Mr Francis Lee's takeover at Manchester City Football Club emerged yesterday as the premier league club confirmed that it intended to apply for a Stock Exchange listing. The shares are currently traded under Rule 535.2.

Mr Lee, the club's former player and England international, has been appointed as chairman and Mr John Dunkerley and Mr Colin Barlow have been appointed directors. Former chairman Mr Peter Swales, has resigned as a director but has accepted an invitation as life president.

Mr Lee has acquired 112,337 ordinary shares in the club from Mr Swales and Mr Stephen Boler at £13.35 per share. Together with concert parties, he now holds 224,998 shares, or 29.99 per cent of the voting share capital.

Although Mr Lee will not make an offer for the entire share capital at this stage, he has undertaken to meet any obligation to make a general offer which might arise under the Takeover Code, as a result of any future share purchases or loan stock conversions.

An extraordinary meeting will be asked to approve the issue of up to £4m of convertible unsecured loan stock at par. Mr Lee has agreed to subscribe for at least £3m of loan stock, which on conversion would result in the issue of up to 300,000 ordinary shares (28.6 per cent of enlarged voting capital).

The funds will be used to meet working capital requirements and for player acquisitions and ground development.

Mr Lee received a rapturous reception at the weekend from the club's Maine Road fans when the team, currently struggling near the bottom of the premiership, achieved only their second league win in four months, against Ipswich Town.

NEWS DIGEST

Brake Bros in £1.9m purchase

Brake Bros, which supplies frozen food to the catering industry, has bought Jesse Robinson for £1.9m.

The deal, which includes associate John Hill, is to be satisfied by the issue of 145,000 shares with the rest in cash. Robinson is a family business which supplies frozen food and fresh fish to the catering industry in the Nottingham area.

French Property net assets at 97.34p

French Property Trust reported net assets per share of 97.34p at December 31, against 73.29p a year earlier.

Net revenue for 1993 was £448,146 (£377,924) for earnings per share of 1.79p (1.51p). There is no interim dividend, but an increased final of 1.4p (1.3p) compares with the previous year's total of 2.3p.

Nurdin & Peacock to convert branches

Nurdin & Peacock plans to invest £10m over the next few months in converting 44 cash and carry branches – almost its entire network – into trade and business warehouses.

The range of products will be extended to include office supplies and business machines. It is also launching a new discount scheme, Cashback Plus, for all customers spending more than £1,000 a week.

Java Trust net assets almost doubled

Net assets per share of EFM Java Trust stood at 61.39p at December 31, almost double the 32.88p standing 12 months earlier.

The after-tax deficit came out at £28,000 (£54,000), and losses per share worked through at 0.09p (0.18p).

Barlo purchase and placing

Barlo Group, the Dublin-based radiator and plastics maker, is to acquire the radiator manufacturing business of Kingspan Veha, located in Wicklow, for I£4m (£3.8m).

At the same time, Barlo is calling for I£6.45m net via a placing of 7.5m new shares with Irish and UK institutional investors at 88p per share.

Expansion for Hanson offshoot

Peabody Resources, the Australian coal producer and part of US-based Peabody Holdings, itself a subsidiary of Hanson, has acquired an additional 15 per cent of Warkworth Associates bringing its interest to 43.75 per cent.

The vendor was Westpac Banking Corporation; no purchase price was disclosed. Peabody Resources manages the operations of Warkworth, a joint venture coal mining company.

LONDON RECENT ISSUES

Newly issued shares appear for between four and six weeks in the London Recent Issues table. At the end of this period, a stock is normally moved to the appropriate category of the London Share Service if the company so requests.

In the full weekday editions of the FT, published on Tuesday to Friday mornings, the table appears on the half page of London Market Statistics that also includes the FT-Actuaries Fixed Interest indices and London traded options prices.

On Saturdays it appears on the UK Company News page, and on Mondays on the Currencies, Money & Capital Markets page.

Russian output cut bolsters aluminium

By Kenneth Gooding, Mining Correspondent

Reports of the first output cut by a Russian aluminium smelter and that a second Australian smelter was to reduce production immediately helped the metal's price move up again yesterday on the London Metal Exchange.

Sentiment was also helped by Mr Vladimir Kalchenko, first deputy director of Concern Aluminiy, the producers' association, who told the Reuter news agency in Moscow that the Russian government had the ways of forcing reluctant smelters to make cuts. Some analysts and at least one Russian industry official have cast doubt on the republic's ability to live up to its undertaking to help restore the aluminium market to balance by reducing its annual aluminium production by 500,000 tonnes.

He also said that the 200,000-tonne Novokuznetsk smelter in Siberia had closed some operations for modernisation and this would trim its annual output by 20,000 tonnes.

Reuter also reported that, elsewhere in the Commonwealth of Independent States, Tajikistan's aluminium smelter said it would shut down completely last night unless it received essential raw materials held up at the border with Uzbekistan, another CIS republic, which claimed that it was owed money for earlier shipments. The Tajik smelter is one of the biggest in the world with an annual capacity of 500,000 tonnes. But analysts believe it produced only 280,000 tonnes last year.

At the weekend Alcoa of Australia said it would immediately cut output at its Point Henry smelter in Victoria by 14 per cent or 25,000 tonnes a year. This brings the annual production cuts announced by western producers since trade delegates from some of the big aluminium-producing countries signed a memorandum of understanding on January 28 to 346,000 tonnes.

Mr Angus MacMillan, research manager for Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, said the aluminium market was in limbo at present. "Only the brave or the very foolhardy are taking positions," he said. The cuts so far had moved aluminium's price into a new trading range: between $1,275 and $1,375 a tonne. Last night aluminium for delivery in three months closed on the LME at $1,300.50, up $5 a tonne.

Minerals sector needs to woo foreign capital

Most of the existing mining industry is in a pitiful state, writes David Humphreys

Opening the school of mines in St Petersburg in 1719, Peter the Great proclaimed: "Our Russian state, in comparison with many other foreign countries, is blessed with all necessary metals and minerals". This perception of Russia as a treasure house of minerals persisted until recently. It was encouraged both by a communist regime that saw self-sufficiency in raw materials as an important element in the nation's capacity for self-determination and by conservative hawks in the West who used the notion to dramatise the dangers of Soviet infiltration in other mineral-rich parts of the world, notably southern Africa.

Since the opening up of Russia to the West the existence of substantial economic deposits of oil and gas has been confirmed. For metals, however, the evidence is far less clear. Moreover, some of the resources that do exist are in remote eastern regions that lack the infrastructure to permit the establishment of viable mining activities.

What is clear is that most of the existing mining industry is in a pitiful state. Grades at copper, lead and zinc mines are well below those in the West; the mineral from which aluminium is produced is of a quality that would not be used elsewhere; and the alluvial gold deposits of the far eastern region, long the mainstay of Soviet production, are largely worked out. Nickel alone appears to be mined from a deposit of genuine world class, that at Norilsk, in the far north.

Throughout the industry under-investment has left operations with inadequate equipment, very low productivity and primitive environment protection practices.

These problems are being added to daily by increases in energy and transport costs and by a breakdown in the payments system. In consequence, between 1989 and 1993 the country's production of copper fell by about 22 per cent, of zinc by 27 per cent and of nickel by 48 per cent.

One option available to Russia is to focus its reconstruction efforts on downstream manufacturing activities. But this would be unwise for three reasons: Firstly, bad as the condition of of the mining industry is, the sad fact is that this is one of the healthier industrial sectors; Secondly, metals are important export items (second only to oil and gas) and for the foreseeable future Russia will have precious little else to sell; And finally, attempts to compete in manufacturing will pitch Russia into direct competition with the low-wage economies of the Far East and the more strategically located countries of Europe.

To develop Russia's mining industry will require capital, and capital is one thing Russia does not have. One answer is to turn to foreign investors. But although in their public statements the Russian authorities appear favourable to foreign investment, in practice they are more ambivalent. There remains a deep-rooted suspicion of the motives of foreigners and a fear of under-selling the country's mineral wealth. To the extent that a role is seen for foreign companies, it is frequently in the development of deposits of too low a grade of too complex for local companies. The successes of the nationalists in the December parliamentary elections can only reinforce these tendencies.

No country is obliged to accept foreign investors on its soil, but if Russia really is interested in involving foreign capital in major mining development there are issues that it needs to address:

- Greater openness is needed. Before all else, western companies have to be convinced that there is something worth investing in. At present, however, they are only able to visit selected sites by invitation or work from lists containing limited detail.
- Clarification is required on how jurisdiction over mineral resources is to be divided between the centre and the regions. While Moscow was preoccupied with the battle between President Yeltsin and the parliament, many regions took the opportunity to assert sovereignty over resources within their borders. The new constitution appears to reverse this tendency, but the need for clarification remains.
- Finally, greater realism needs to be displayed in the legal and fiscal conditions for foreign investment. Western mining companies will need to be able to assure their shareholders that they will see a return on their money. Much Russian legislation on resources has been framed with oil and gas in mind and is inappropriate for hard minerals. For instance, the typical demand for a 20 per cent royalty on revenue from gold mining in addition to a 35 per cent tax on profits, could easily translate into and effective tax rate of over 100 per cent of profits.

Russia has been edging towards a new role in a competitive world economy. In this economy, countries wanting inward investment have to compete for it, just as companies have to compete for good investment opportunities. Unfortunately, years of isolation have left Russia without an adequate basis for international comparison and have permitted the perpetuation of myths about its mineral wealth. Russia is not a special case. It may have extensive mineral deposits, but these are of little value without the capital to get them out.

In the world that Russia is joining, capital does not come without capitalists.

David Humphreys is deputy chief economist at the RTZ Corporation. His monograph "Mining and Metals in the CIS": Between Autarky and Integration" is published today by the Royal Institute of International Affairs.

Codelco output boost ruled out

By David Pilling in Santiago

Codelco, the world's biggest copper producer, would not change its production plans to compensate for $207m losses on futures trading, said Mr Alejandro Noemi, who resigned as president at the weekend.

The plans aimed to give it maximum output without damaging its long-term viability and this would not be put at risk by a boost in output for two or three months, he added.

An interim report into the losses concluded that failure to implement controls had allowed Mr Juan Pablo Dávila, the chief futures trader, to mount more than 5,000 operations in the four months from September 1993 that caused losses of $164m on copper futures, $30.6m on silver and $12.1m on gold.

Codelco confirmed that Mr Dávila put details of transactions into his computer incorrectly last September. Failure of controls had allowed him to start a desperate attempt to retrieve the situation.

Gold seen struggling to top $400 this year

By Kenneth Gooding

Gold's price would find it very difficult to move above $400 a troy ounce, Mr Peter Munk, chairman of American Barrick Resources, one of North America's biggest gold producers, said yesterday.

But neither did he expect the price to drop below $280. Gold would trade in "a steady, stable, profitable range like most commodities," he told analysts and institutional investors in London.

Earlier Mr Bob Smith, Barrick's president, reported that the group's hedging policy ensured it would receive more than $400 an ounce for its output for the next two years while retaining the flexibility to take some of the gains should the price go above that level. The London gold price closed last night at $384.70 an ounce.

Barrick produced 1.632m ounces of gold last year and had set targets of 1.8m for 1994 and 2m for 1995, said Mr Smith during the company's annual European "road show".

Mr Munk recalled that Barrick was set up only ten years ago to become a "pure" gold company operating solely in North America. Today it was North America's most profitable gold producer and owner of the continent's biggest gold reserves.

Now Barrick intended to use its "balance sheet, track record, credibility" and its North American know-how and technology to expand internationally while continuing to focus only on gold. "We will become as dominant internationally as we have become in North America," Mr Munk promised.

Mr Smith said that the international drive was gaining momentum with activities in Mexico, Chile, Peru and China. American Barrick was looking for opportunities elsewhere in the world and was willing to make strategic investments in two or three exploration companies that had assembled land positions in areas of interest to the company but where it had no exploration teams of its own.

Lead and nickel remain in surplus

By Kenneth Gooding

Net imports from the former eastern bloc countries helped to keep the western lead and nickel markets in supply surpluses last year, though at reduced levels.

Imports of eastern-bloc nickel reached a record 135,000 tonnes, representing more than 20 per cent of western consumption, according to statistics from the International Nickel Study Group. That reversed 1992's deline from 128,000 tonnes to 121,000.

In spite of the resurgence of exports from the former eastern block the nickel market's supply surplus fell from 70,000 to 39,000 tonnes, the study group estimates. This was because consumption in the west rose by nearly 4 per cent, from 627,000 to 652,000 tonnes, while western producers cut back output by 3.5 per cent, from 576,000 to 556,000 tonnes.

Western nickel mine output last year was down 4 per cent, from 613,700 to 588,700 tonnes, the study group reports.

Meanwhile, the International Lead and Zinc Study Group estimates that lead mine output in the western world dropped in 1993 to its lowest level in 30 years.

Canada bore the brunt of the cuts and the suspension of production at Curragh Resources' Yukon mines contributed to a drop of 47 per cent in that country's lead mine output.

Western lead mine production totalled 2.034m tonnes last year, a fall of 265,000 tonnes or 11.5 per cent from 1992. The study group says the fall in mine output caused absorption of some of the very large surplus stocks of lead concentrate (an intermediate material) that accumulated in 1990 and 1991. This is expected to influence trade patterns with eastern Europe and the former Soviet Union this year, reducing the flow of concentrate for toll smelting in those regions.

Last year net imports of refined lead from the former eastern bloc countries slipped from 169,000 to 135,000 tonnes, helping to cut the west's supply surplus from 154,000 tonnes to 84,000 tonnes.

The western lead industry compensated for eastern imports by cutting back refined metal output, by 1 per cent to 4.397m tonnes. Meanwhile, consumption moved up by 0.6 per cent to 4.483m tonnes. Stocks rose by 61,000 tonnes to 653,000 tonnes by the year-end, equivalent to 7.6 weeks' consumption.

MARKET REPORT

Cocoa prices in retreat

Disappointed liquidation hit COCOA futures prices at the *London Commodity Exchange* yesterday after early buying failed to achieve the breach of resistance around £900 a tonne for May delivery. By the close the price had surrendered all but £5 of Friday's £23 rise to close at £872 a tonne.

But COFFEE prices *maintained their rally with a $13* rise to $1,212 a tonne.

As speculative interest slackened base metals prices generally succumbed to profit-taking at the London Metal Exchange.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1280.5-1.5	1300-1
Previous	1276.5-7.5	1295-6
High/low	-	1160/1150
AM Official	1276-7	1294.5-5.0
Kerb close	1157-60	
Open int.	274,064	
Total daily turnover	84,319	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1140-2	1160-2
Previous	1130-5	1152-5
High/low	1275	1306/1282
AM Official	1132-5	1152-4
Kerb close	1295-6	
Open int.	3,437	
Total daily turnover	388	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	506.5-7.5	519-20
Previous	510-1	523-4
High/low	-	521/517
AM Official	505-5.5	518-9
Kerb close	518-8.5	
Open int.	34,327	
Total daily turnover	4,186	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5810-20	5875-85
Previous	5900-10	5965-70
High/low	5820	5930/5860
AM Official	5810-5	5875-80
Kerb close	5880-5	
Open int.	54,021	
Total daily turnover	12,568	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5370-80	5425-35
Previous	5400-10	5445-50
High/low	-	5450/5360
AM Official	5345-55	5405-10
Kerb close	5435-40	
Open int.	19,291	
Total daily turnover	4,934	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1003-4	1023.5-4.0
Previous	1013.5-4.5	1033-4
High/low	-	1035/1022.5
AM Official	1003.5-4.0	1024-4.5
Kerb close	518-8.5	
Open int.	100,714	
Total daily turnover	18,989	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1871.5-2.5	1894-5
Previous	1867-68	1888-9
High/low	1881	1899/1875
AM Official	1881-2	1882.5-3.0
Kerb close	1895-6	
Open int.	261,046	
Total daily turnover	40,485	

■ LME AM Official £/$ rate:1.4915
LME Closing £/$ rate: 1.4825

Spot: 3 mths: 6 mths: 9 mths:

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Feb	89.40	+0.25	89.40	88.10	514	162
Mar	89.30	+0.30	89.40	87.85	35,315	9,894
Apr	88.65	+0.45	-	-	782	3
May	88.55	+0.45	88.55	87.20	13,902	3,138
Jun	88.65	+0.55	87.70	87.70	847	2
Jul	88.70	+0.60	88.70	87.30	6,401	643
Total					67,361	14,231

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.50-384.90	
Opening	383.60-384.00	
Morning fix	383.95	258.914
Afternoon fix	383.60	258.947
Day's High	384.50-384.90	
Day's Low	382.40-382.80	
Previous close	387.50-387.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.81	6 months	2.91
2 months	2.85	12 months	3.07
3 months	2.86		

Silver Fix	p/troy oz.	US cts equiv.
Spot	358.00	530.75
3 months	362.55	534.95
6 months	367.00	539.55
1 year	375.95	550.10

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	260-263
Maple Leaf	394.55-397.00	
New Sovereign	90-93	61-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Feb	378.9	-7.7	383.7	379.0	1,073	569
Mar	379.4	-7.7	384.3	384.3	13	35
Apr	380.7	-7.6	386.5	380.5	67,609	47,115
Jun	382.7	-7.6	386.6	382.5	29,093	1,696
Aug	384.8	-7.6	389.6	385.5	5,016	43
Oct	387.1	-7.5	392.3	391.8	4,063	36
Total					136,369	50,622

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	391.4	-6.1	396.0	391.0	14,681	3,062
Jul	391.9	-6.1	396.0	391.0	2,966	317
Oct	392.7	-6.1	398.0	398.0	324	10
Jan	393.7	-6.1	399.6	398.0	187	5
Apr	394.7	-7.1	-	-	4	-
Total					18,182	3,394

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	129.3	-0.95	132.50	129.00	2,335	1,068
Jun	128.3	-0.95	132.25	129.50	2,178	171
Sep	129.2	-0.95	130.75	130.25	142	-
Dec	129.1	-0.95	-	-	119	2
Total					4,774	1,599

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Feb	523.0	-18.7	-	-	2	2
Mar	524.0	-18.7	538.5	523.0	72,244	26,599
May	527.5	-18.8	542.0	526.0	20,568	3,349
Jul	530.8	-18.8	545.0	530.0	9,533	755
Sep	534.2	-18.8	548.5	540.0	2,766	148
Dec	539.3	-18.9	553.0	540.0	7,817	841
Total					119,341	31,982

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	15.39	-0.24	15.63	15.36	100,783	38,495
Apr	15.44	-0.15	15.54	15.40	70,793	21,392
May	15.54	-0.09	15.61	15.48	41,005	7,903
Jun	15.70	-0.03	15.72	15.63	54,101	4,508
Jul	15.82	-0.02	15.87	15.75	22,283	1,010
Aug	15.97	-	-	-	12,589	2,326
Total					462,639	80,236

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	14.62	+0.21	14.62	14.62	48,384	16,154
Mar	14.25	-0.02	14.41	14.20	57,106	13,004
Apr	14.20	-0.11	14.30	14.18	17,345	2,533
May	14.27	-0.09	14.34	14.20	9,963	11,510
Jun	14.40	-0.19	14.47	14.35	8,391	277
Jul	14.54	-0.11	14.58	14.54	3,798	54
Total					149,088	31,582

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	49.80	-1.26	50.75	49.50	49,090	21,048
Apr	46.70	-0.42	46.80	46.30	34,588	3,102
May	45.25	-0.17	45.30	44.90	34,228	3,008
Jun	45.05	+0.03	45.20	44.70	21,863	2,248
Jul	45.45	+0.03	45.60	45.00	15,490	563
Aug	46.10	-	-	-	8,435	405
Total					181,792	37,491

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	143.75	-3.00	145.50	143.75	20,540	5,338
Mar	145.25	-2.75	148.50	145.25	32,864	5,181
Apr	144.75	-2.00	145.75	144.50	154.22	1,599
May	143.75	-1.75	144.25	143.50	4,289	813
Jun	144.00	-1.25	144.00	143.50	14,733	369
Jul	145.25	-1.25	146.00	144.75	8,505	137
Total					120,601	13,463

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	2.285	-0.079	2.330	2.265	25,659	10,389
Apr	2.165	-0.033	2.175	2.130	18,175	5,578
May	2.100	-0.018	2.120	2.085	13,591	3,414
Jun	2.100	+0.005	2.100	2.060	8,930	1,305
Jul	2.080	-0.005	2.095	2.070	9,552	764
Aug	2.100	-0.004	2.110	2.085	7,848	591
Total					137,895	28,583

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	44.55	-1.08	45.40	44.40	35,631	15,889
Apr	46.70	-0.39	46.85	46.50	31,687	6,329
May	47.30	-0.37	47.55	47.23	32,682	2,713
Jun	47.75	-0.24	48.00	47.65	13,862	2,032
Jul	47.70	-0.29	47.95	47.70	2,910	288
Aug	47.55	-0.19	47.70	47.55	3,010	191
Total					121,898	29,248

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	97.90	+0.10	98.40	98.00	1,288	15
May	98.65	+0.15	99.10	98.75	1,621	33
Jun	98.65	+0.15	99.00	99.00	212	30
Sep	89.55	-	89.75	89.75	172	10
Nov	90.90	-	-	-	769	-
Jan	92.66	+0.10	-	-	232	-
Total					4,274	88

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	372/2	+1/0	373/0	368/2	97,045	28,156
May	356/2	+1/4	356/6	351/6	43,370	5,600
Jul	346/2	+2/4	347/0	341/2	84,390	20,325
Sep	348/4	+1/6	347/0	342/4	12,145	985
Dec	353/6	+0/4	354/0	350/0	17,330	1,175
Jul	338/0	+2/0	-	338/0	40	15
Total					254,210	54,228

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	288/4	-2/4	290/4	288/2	458,410	90,580
May	294/0	-2/4	296/0	293/6	471,725	49,650
Jul	295/2	-2/2	298/6	294/6	404,370	34,875
Sep	279/4	-1/0	280/0	278/4	88,460	5,670
Dec	264/0	-0/4	264/4	263/0	225,090	19,830
Mar	270/0	-0/4	270/2	269/0	14,670	1,450
Total					1,667M	202,176

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	101.00	+0.25	101.00	100.75	603	37
May	101.95	+0.35	102.00	102.00	193	1
Sep	92.40	-	-	-	102	-
Nov	94.10	-	-	-	63	-
Jan	36.40	-	-	-	3	-
May	97.50	-	-	-	-	-
Total					984	38

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	673/6	-0/6	678/0	670/4	296,590	154,510
May	677/6	-1/6	682/4	675/0	217,670	60,830
Jul	679/2	-1/4	684/0	676/4	176,130	40,075
Aug	671/0	-1/6	675/0	669/4	33,960	3,805
Sep	651/2	-3/2	655/0	651/0	18,845	720
Nov	635/4	-2/4	640/6	635/0	96,940	13,985
Total					854,730	274,330

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	28.09	-3.05	28.24	27.98	29,308	16,048
May	28.03	-0.08	28.18	27.85	25,104	8,648
Jul	27.84	-0.03	27.95	27.75	18,085	5,058
Aug	27.40	-0.11	27.55	27.36	5,707	875
Sep	26.83	-0.18	27.00	26.90	5,164	980
Oct	25.92	-0.18	26.09	25.90	3,727	193
Total					95,320	33,289

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	194.9	+0.6	196.2	193.7	32,879	7,335
May	194.7	+0.1	196.1	193.6	20,062	3,501
Jul	194.8	-	196.0	193.9	17,510	2,375
Aug	193.6	+0.4	194.2	192.9	7,051	283
Sep	190.9	+0.1	192.0	190.2	4,027	838
Oct	183.5	+0.5	190.0	189.0	2,188	81
Total					90,439	15,161

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	152.5	+17.5	150.0	150.0	34	3
Apr	107.5	+0.9	-	-	1,734	-
May	128.4	+0.2	127.0	126.0	887	9
Jun	130.0	-	-	-	2	-
Nov	85.0	-	-	-	-	-
Mar	135.0	-	-	-	-	-
Total					2,665	12

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	1160	-5	-	-	172	-
Mar	1180	-7	1181	1178	360	14
Apr	1220	-7	1225	1204	1,153	49
Jul	1105	-3	1105	1100	194	42
Oct	1255	-3	-	-	235	-
Jan	1304	+1	-	-	74	-
Total					2,193	105

	Close	Prev
BFI	1186	1187

TEA

Landed a strong demand, reports The Tea Brokers' Association. Coloury assams advanced by several pence with mediums firm while plainer types sold more readily though at slightly easier rates. Best liquoring and good medium East Africans generally gained 4 to 6p, sometimes more, with mediums firm to dearer but plainest sorts again tended lower. Ceylons were again well supported and frequently put on 4p to 8p by the close. Offshore offshore teas met good demand at firm to dearer rates. Quotations: quality 185p/kg, good medium 140p/kg, medium 112p/kg and low medium 86p/kg. The highest price realised this week was 238p for a Rwanda pf.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	859	-22	890	853	30,099	1,899
May	872	-18	900	865	17,203	3,312
Jul	884	-16	912	876	11,369	940
Sep	902	-17	927	897	10,652	797
Dec	920	-17	944	916	14,224	612
Mar	933	-17	956	931	25,976	116
Total					126,589	7,476

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1054	-25	-	1046	18,696	4,004
May	1086	-27	1102	1082	25,362	3,365
Jul	1115	-22	1125	1111	12,772	787
Sep	1143	-22	1160	1141	8,014	95
Dec	1175	-22	1185	1173	6,784	559
Mar	1206	-22	1206	1204	7,785	-
Total					89,148	8,809

■ COCOA (ICCO) (SDR's/tonne)

Feb 4	Price	Prev. day
Daily	873.37	858.17
Feb 7		
10 day average	891.22	894.78

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1211	+14	1215	1194	11,228	2,729
May	1212	+13	1216	1196	14,637	2,895
Jul	1210	+17	1212	1185	5,689	1,199
Sep	1209	+18	1210	1190	2,403	893
Nov	1211	+18	1210	1205	1,836	113
Jan	1205	+12	1205	1203	3,274	10
Total					38,996	7,839

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	76.90	+0.20	77.40	76.15	22,361	10,981
May	78.30	+0.05	78.65	77.60	18,113	4,284
Jul	79.65	-	80.10	79.00	4,954	963
Sep	81.10	-0.10	81.40	80.50	3,478	307
Dec	82.20	-0.10	82.50	81.85	2,502	60
Mar	83.60	-0.50	84.00	83.00	884	38
Total					52,319	18,812

■ COFFEE (ICO) (US cents/pound)

Feb 4	Price	Prev. day
Comp. daily	72.22	71.16
15 day average	69.82	69.62

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	11.20	-0.06	11.21	11.20	1,093	8
May	11.65	-0.05	11.66	11.60	1,019	5
Jul	12.05	-0.05	11.98	11.98	2,907	5
oct	11.50	-0.15	-	-	30	-
Total					5,049	18

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	306.6	-1.3	307.7	304.2	2,522	657
May	305.0	-1.0	304.0	302.5	5,922	715
Aug	305.0	-2.8	307.2	302.3	1,893	155
Oct	293.0	-1.8	395.0	391.3	2,672	37
Dec	291.9	-1.3	-	-	107	-
Mar	292.0	-1.8	393.6	393.0	48	4
Total					13,191	1,572

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.97	-0.15	10.99	10.90	35,598	18,318
May	11.47	-0.09	11.50	11.38	45,451	19,631
Jul	11.50	-0.07	11.51	11.40	18,210	2,686
Oct	11.18	-0.16	11.27	11.15	18,930	664
Mar	11.15	-0.10	11.20	11.15	4,000	180
May	11.16	-0.04	11.20	11.20	416	-
Total					121,070	45,149

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	73.60	-1.63	77.80	73.30	18,557	2,906
May	76.00	-1.35	77.75	75.80	18,484	3,591
Jul	76.36	-1.29	77.94	76.20	9,555	1,374
Oct	71.55	-0.70	72.25	71.50	1,989	239
Dec	69.08	-0.71	69.75	69.00	8,811	839
Mar	69.77	-0.68	70.45	69.95	202	78
Total					57,663	9,027

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.30	-	104.50	103.20	10,588	805
May	106.15	-	107.10	106.15	3,709	527
Jul	109.15	+0.15	109.80	109.45	1,526	117
Sep	111.15	+0.15	-	-	830	13
Nov	113.15	+0.15	-	-	439	28
Jan	115.15	+0.15	-	-	629	212
Total					17,743	1,500

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 7	Feb 4	month ago	year ago
1778.1	1789.5	1688.4	1750.7

■ CRB Futures (Base: 4/9/56=100)

Feb 4	Feb 3	month ago	year ago
228.44	228.73	228.79	199.02

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	72.125	+0.425	72.275	71.825	14,974	5,117
Apr	74.825	+0.475	75.050	74.425	35,191	8,690
Jun	73.400	+0.075	73.600	73.300	19,827	3,718
Aug	72.675	+0.125	72.875	72.650	11,609	1,199
Oct	72.775	+0.150	72.975	72.675	8,174	948
Dec	73.400	+0.150	73.500	73.200	1,761	109
Total					92,848	19,889

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	48.375	+0.125	48.725	48.250	3,002	1,829
Apr	50.725	+0.200	50.850	50.500	14,605	2,991
Jun	56.425	+0.450	56.450	55.100	7,792	1,154
Jul	54.425	+0.475	54.425	53.850	2,885	328
Aug	52.675	+0.450	52.600	52.050	2,460	288
Oct	48.450	+0.325	48.550	48.300	1,420	143
Total					33,466	6,593

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	59.325	-0.050	59.800	58.850	1,441	256
Mar	59.425	-0.050	60.150	59.000	2,640	1,772
May	60.050	-0.100	60.700	59.800	4,801	1,214
Jul	60.200	-0.200	60.600	59.700	22,56	383
Aug	57.625	-0.300	58.200	57.500	442	107
Total					11,580	3,732

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	63	86	41	51
1300	50	73	53	63
1325	39	61	67	78
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	74	104	32	48
1900	47	77	55	68
1950	27	55	85	95
■ COFFEE LCE	Mar	May	Mar	May
1100	111	126	-	14
1150	62	90	1	28
1200	23	61	12	48
■ COCOA LCE	Mar	May	Mar	May
875	9	42	26	45
900	4	32	46	60
925	1	24	66	96
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1400	-	54	5	35
1450	5	31	20	-
1500	2	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$13.15-3.25w	-0.115
Brent Blend (dated)	$14.65-4.62	-0.44
Brent Blend (Mar)	$14.24-4.27	-0.28
W.T.I. (1pm est)	$15.39-5.42w	-0.335

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$151-152	
Gas Oil	$147-149	-2.5
Heavy Fuel Oil	$76-78	-1
Naphtha	$136-140	
Jet Fuel	$182-184	-1

Petroleum Argus Estimates

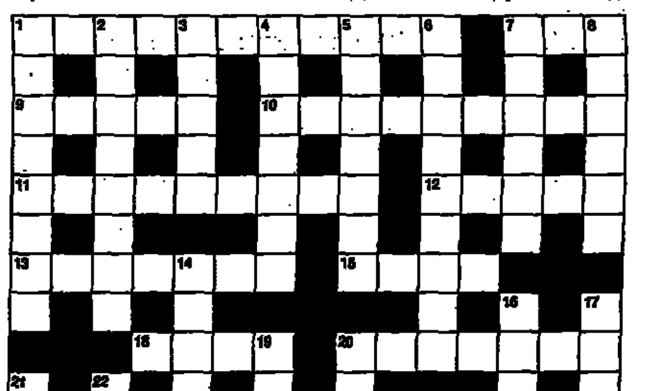
■ OTHER

Gold (per troy oz)♣	$384.70	-3.00
Silver (per troy oz)♣	544.5c	+2.0
Platinum (per troy oz.)	$391.50	-5.50
Palladium (per troy oz.)	$128.00	-0.10
Copper (US prod.)	84.0c	
Lead (US prod.)	38.88c	+1.88
Tin (Kuala Lumpur)	14.55r	-0.20
Tin (New York)	232.50c	-3.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	123.19p	+0.84*
Sheep (live weight)†♦	109.48p	+1.97*
Pigs (live weight)	88.58p	+3.81*
Lon. day sugar (raw)	$272.30	+1.5
Lon. day sugar (wte)	$307.90	-1.6
Tate & Lyle export	$295.50	+2.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£128.0	
Wheat (US Dark North)	£143.50	
Rubber (Mar)¥	63.50p	+0.75
Rubber (Apr)¥	63.75p	+0.75
Rubber(KL RSS No1 Feb)	232.0m	+1.5
Coconut Oil (Phil)§	$565.0x	
Palm Oil (Malay.)§	$365.0t	
Copra (Phil)§	$377.0	+3.0
Soyabeans (US)	£204.5y	+0.5
Cotton 'A' Index	80.20c	+1.10
Wooltops (64s Super)	378p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Mar. z Jan/Mar. t Apr/Jun. x Feb/Mar. ¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,374 Set by DOGBERRY



ACROSS

1 Resort showing sign of damage to small unhealthy (11)
7 15's friend to show signs of life (3)
9 Lift back from Indonesia required (5)
10 Supplementary soccer's played inside, yet (10)
11 Actor was angry with one in brown (9)
12 Sample of culture (5)
13 Break broken idol in grass (7)
15 Large beast devouring North American (4)
18 Utterly uninteresting (4)
20 One who'd organise a celebration (7)
23 Hate to find no parking on the platform (5)
24 Pattern transfixes guts (9)
26 Officer's bride wandering around capital (9)
27 Racket, conversely, had lost adhesion (5)
28 Work producing allergy in friend (3)
29 Warship for roving Dane in time of need (11)

DOWN

1 Char with cyst having suffered loss of reproductive quality (8)
2 Fit to receive mineral, being good natured (8)
3 Note on putting word back to end of sentence (5)
4 Irately disputing the facts (7)
5 Ghostly Scots king, beheaded and nearly disembowelled (7)
6 Ambassador, one in position of uncertainty (9)
7 Garment for second-rate punk (6)
8 The writer of A Pub with No Beer? (6)
14 18 alderman lost in fantasy world (5-4)
16 Cut up top of cake, keeping the peace (8)
17 Move away from margin, holding church to be obscene (8)
19 Take away record in card games (7)
20 Socialist dog from Germany sitting on top of large sum (7)
21 Girl embraces doctor, one of the 22 18 (6)
22 Quick income (6)
25 Insect turning up with nothing on to dance (5)

Solution to Saturday's prize puzzle on Saturday February 19.
Solution to yesterday's prize puzzle on Monday February 21.

JOTTER PAD

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie picks up after initial 96-point setback

By Steve Thompson

Fears that last Friday's near 2.5 per cent slide on Wall Street could have triggered an October 1987-style slump in the London stock market were quickly shrugged aside yesterday. A pre-emptive mark-down of share prices by marketmakers headed off any big selling.

Nevertheless, London could not ignore the influence of Wall Street's big fall and the FT-SE 100 Index ended a tense trading session a net 56.3, or 1.6 per cent, off at 3,419.1, well above the day's lowest levels. The FT-SE Mid 250 Index proved equally resilient, recovering strongly to settle 69.3, or 1.7 per cent, down at 4,077.1.

The market's resilience came from a noted absence of selling pressure from the big UK institutions and a better than expected opening by Wall Street yesterday afternoon. Although a fresh downturn in US bonds caused a certain amount of consternation in the market towards the close of business. UK gilts remained under pressure, always a sign that there could be more problems ahead for the market in the short term.

The Federal Reserve's move to lift its Fed Funds rate by ¼ percentage point late on Friday wrought havoc on Wall Street, which posted its biggest one-day drop for two years and produced hefty falls throughout the Far Eastern and European markets.

After their initial move to chop prices, the traditional response of London marketmakers to bad news, dealers encountered very little selling from the big institutions who, if anything, moved to buy what they considered "cheap" stock in many areas of the market.

Account Dealing Dates		
*First Dealings:		
Jan 17	Jan 31	Feb 14
Option Declarations:		
Jan 27	Feb 10	Feb 24
Last Dealings:		
Jan 28	Feb 11	Feb 25
Account Day:		
Feb 7	Feb 21	Mar 7

*New time dealings may take place from two business days earlier.

After a setback of about 100 points in early unofficial trading, the FT-SE 100 officially opened almost 70 points off, the rally coming in the wake of a mixture of "cheap" buying and bear closing.

Mid-morning brought a period of extreme uncertainty and nervous trading as dealers began to worry about the potential for another bout of weakness on Wall Street when that market opened. The FT-SE 100 was trading around 87 points off but Wall Street came in steady to a shade firmer and London subsequently gained ground in tandem with the US market, which was around 25 points better shortly after the official London close.

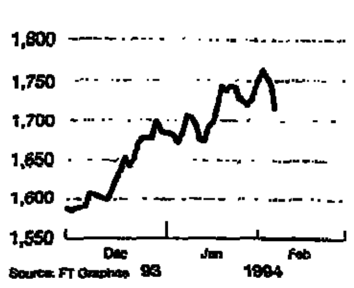
Second-line stocks, if anything, out-rallied the leaders, the Mid Cap picking up from an early 120-point drop.

Equity market strategists were generally impressed by the market's resilience. Mr Ian Harnett at Strauss Turnbull said the market had taken events "in its stride", while Mr Rob Buckland at NatWest Securities described the fall as an "opportunity to buy cheap stock". Mr Richard Kersley at BZW said sector stories will now become more interesting, and took the view that financial stocks, especially the banks, may begin to emulate their US counterparts and start to underperform the market.

There were raised eyebrows at the level of turnover in equities, which reached 894.1m shares, surprisingly low given the swings and big falls in the market and reports of exceptionally heavy basket trading by one of the big European securities houses. Non-Footsie stocks comprised 516.6m, or 58 per cent of the total.

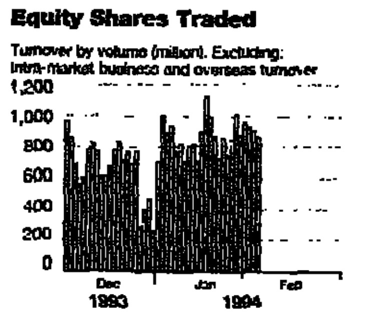
Possibly the day's most impressive individual performance came from Slimma, the clothing group, whose market debut could hardly have come on a more difficult day. Nevertheless, the shares rode out the storm and ended at a substantial 17.5 per cent premium.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3419.1	-56.3	FT Ordinary index	2633.3	-35.9
FT-SE Mid 250	4077.1	-69.3	FT-SE-A Non Fins p/e	22.39	(22.68)
FT-SE-A 350	1731.7	-28.8	FT-SE 100 Fut Dec	3413.0	-62.0
FT-SE-A All-Share	1719.48	-28.89	10 yr Gilt yield	6.52	(6.44)
FT-SE-A All-Share yield	3.29	(3.24)	Long gilt/equity yld ratio:	2.12	(2.13)

Best performing sectors		Worst performing sectors	
1 Tobacco	+1.1	1 Banks	-4.0
2 Household Goods	-0.3	2 Investment Trusts	-3.5
3 Spirits, Wines	-0.7	3 Other Financial	-3.1
4 Food Manufacturers	-0.8	4 Merchant Banks	-2.5
5 Consumer Goods	-0.9	5 Gas Distribution	-2.2

Far East sell-off hits HSBC

The near 10 per cent slide in the Hong Kong stock market sent related shares in London tumbling on very high volumes as cash flooded out of the Far Eastern markets and into the US to take advantage of higher interest rates.

The Hang Seng Index fell more then 6 per cent in official trading and 3 per cent during London trading hours. In the UK, HSBC was the biggest casualty in the FT-SE 100, losing 83 to 1016p in the London registered with turnover hitting 15m, and 80 to 1037p in the Hong Kong registered on volume of 4.6m. Meanwhile, Standard Chartered plummeted 51 to 1380p.

Caution increased as traders discovered that Nomura, the Japanese brokerage, had cut its recommended weighting of Hong Kong stocks in its global equity portfolio to zero from 3 per cent.

GEC hints

Defence and electronics giant GEC resisted the market slide for most of the session after weekend reports that it may *form a strategic link with British Aerospace to create a powerful single UK defence contracting group.*

The shares held out for much of the session, but succumbed to the market trend and relinquished 2 to 348p, after heavy trading of 10m. The stock had been left behind and some analysts attributed the day's performance to bargain hunting.

Overall, market watchers said such a deal would be particularly good for GEC, giving it critical mass and rationalisation benefits. There was a suggestion that it was unlikely that GEC would put up much cash to bring about such an alliance.

Trading in BAe was also heavy, with volume reaching 9.7m by the close. The shares gave up 9½ to 565½p with the market nervous about reports that the group is backing plans to set up a large-scale leasing operation at Airbus Industrie to help it increase sales. BAe is a 20 per cent stakeholder in the Airbus consortium.

The row brewing over the payment to the departing chairman was said to have dampened sentiment.

Leading blue chip companies, which report their figures this week, saw their share *prices hold respectably in spite of the internationally inspired market slide.*

Reuters Holdings, which is expected to produce profits of about £535m today, outperformed the market with a fall of 24 to 1911p. BP, which reports on Thursday and is forecast to produce after tax profits of around £290m, also outperformed with a fall of 3¼ to 378p. Likewise, BT held up relatively well with the shares losing only one per cent against a fall in the FT-SE 100 Index of 1.6 per cent. Results are due Thursday; the shares closed 4¼ lower at 463½p.

Insurer and financial services group Lloyds Abbey Life held to a fall of 2 to 444p ahead of full-year figures tomorrow. However, cautious analysts predict that profits could be hit by large provisions for mis-selling of pensions.

Most analysts forecast a 12.5 per cent rise in 1993 profits to £335m from £297.6m previously. But Natwest Securities, which forecasts only £311m, has included a £10m provision in his estimate and an unchanged dividend of 17.3p because of uncertainty over pension compensation.

Lloyds Bank, which owns 62 per cent of the insurer, and is due to publish its own figures on Friday, fell 10 to 615p.

Abbey National rose 3 to 502p with Credit Lyonnais Laing said to be a heavy buyer.

Glaxo Holdings recovered early heavy losses on news that the US Food and Drug Administration had granted permission for the group to sell its Serevent asthma inhalation aerosol in the US. The shares, down 17 at one stage recovered to close only 2 off at 664p.

Water and electricity utilities buckled as profit-takers exacerbated the weak market trend. Among the latter, Midlands declined 14 to 742p. Water stocks performed slightly better. Wessex slid 16 to 724p and Yorkshire 13 to 602p.

Television stocks were firm as pressure on Granada to increase its hostile bid for LWT kept alive prospects of further bids within the sector. Although Granada fell 16 to 570p, LWT held at 702p, Scottish eased a penny to 539p and Carlton was steady at 1013p.

Brewers fell back with the market, although volumes were equally weak. Dealers blamed continuing worries over margins in the retail trade and the threat of a price war. Among the worst hit, Morland slid 20 to 523p.

Turnover in Forte hit 8.4m as a block of 5m went through at 257p. The shares retreated 7 to 255p.

Food manufacturers saw some punchy performances against the market trend. Dull but worthy results from Dalgety saw the shares slip 3 to 487p. The company said a firm showing from food ingredients and distribution and recent acquisitions helped it report a slight rise in first half profits to £56.4m. Dollar considerations helped Tate & Lyle climb 7 to 455p. Bargain hunters helped Unigate add 6½ to 414p after recent underperformance. But margin worries and continuing cash call concerns hit Cadbury Schweppes, off 8 at 506p.

It was a similar story among stores groups, with some resilient displays evident. Marks and Spencer rallied from an initial sharp fall to close 2 down at 419p. BZW was recommending investors switch into the stock and out of Kingfisher, off 5 at 637p. Pentos slipped 3 to 32p on weekend press reports that it had requested rent reviews for some of its shops.

Dealers reported some buying support among construction groups, buoyant in recent sessions on the back of interest rate cut hopes. Among those in positive territory yesterday, Bryant Group gained 5 to 191p after reporting first half profits at £14.6m, nearly double the previous period's £7.5m. The company also made a confident trading statement.

There were also some good performances among building material groups. Breedon added 4 at 117p.

International trading group Lonrho gave up 7½ to 160p, after Panmure Gordon was said to have urged investors to sell the stock.

The slide in far eastern markets, where Inchcape has a large part of its markets, weakened sentiment in the stock leaving the shares trailing 15 to 572p.

The market debut of Slimma, the womens outsize clothing group, proved a success, the shares coming to the market at 120p and closing at 141p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page 26

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (96).
BREWERIES (3) Grosvenor Inns, Holt (J), Regent Inns, BUILDING & CNSTRN (4) Banner Homes, EBC, Pochins, Spendex, BLDG MATLS & MCHTS (5) BMSS, Blockleys, Breedon, Lilleshall, SWP, CHEMICALS (3) Canning (W.), Headway, Laporte, DISTRIBUTORS (4) EW Fact, Norbain, Quicks, Vardy (R), ELECTRICITY (1) Manweb, ELECTRNC & ELECT EQUP (3) Control Tech, Fujitsu, Millgate, ENGINEERING (2) Senasmetal, Sterling, ENG, VEHICLES (2) Bostrom, Cawdale, EXTRACTIVE INDS (3) Burmine, Gwalia, Pasminco, FOOD MANUF (1) Matthews (B), INSURANCE (3) Nelson Hurst, Topdenmark, Trade Indemnity, INVESTMENT TRUSTS (9) Baring Secs Em Mkts, CU Env Wrnts, Eng. & Caledonian Inv., Kleinwort Dev Fd, Schroder Korea Fund, Do. Wrnts, INVESTMENT COMPANIES (14) LEISURE & HOTELS (3) Airtours Pl, Barr & WAT 'A', Savoy Hotels A, MEDIA (6) Abbott Mead Vickers, Euromoney Pub, Grampian TVA, Hodder Headline, Telegraph, Ulster TV, OIL EXPLORATION & PROD (1) Villers, OTHER FINANCIAL (1) Broadcastle, OTHER SERVS & BUSNS (1) Cape Range, PRTNG, PAPER & PACKG (1) SCA 'B', PROPERTY (9) Allied Lon. Prl, Bourne End Prop, Daejan, Debenham Tewson & Chinnocks, London Securities, RPS, RETAILERS, GENERAL (1) Christies Int'l, SUPPORT SERVS (5) Brooks Service, ISS-Int Serv Sys B, Kewill Systems, Logica, Vega, TEXTILES & APPAREL (1) Lamont, TRANSPORT (3) Goode Durrant, Mayne Nickless, Mersey Docks & Harbour, SOUTH AFRICANS (2) SASOL, Tongaat-Hulett,

NEW LOWS (32).
GILTS (10) BANKS (1) Standard Chrtd Pf, BUILDING & CNSTRN (2) Barcom, Gopeng Berhad, CHEMICALS (1) Cambridge Isotope Labs, ENGINEERING (1) Neotronics Tech, FOOD MANUF (1) Everest Foods, INSURANCE (1) USF & G, INVESTMENT TRUSTS (4) BZW Endowment d, Govett High Inc Wrts, Kleinwort 2nd Endw Policy, M & G Dual Inc., OIL EXPLORATION & PROD (1) Sunrise Energy, OTHER FINANCIAL (2) Policy Port, Woodchester, PHARMACEUTICALS (1) Scotia, RETAILERS, FOOD (1) Sainsbury (J), RETAILERS, GENERAL (2) Burton, Owen & Robinson, SUPPORT SERVS (2) Penna, Salvesen (C), TEXTILES & APPAREL (1) Horace Small Apparel, AMERICANS (1) NYNEX $1.

EQUITY FUTURES AND OPTIONS TRADING

The derivatives sector saw one of its busiest days in recent sessions, with large turnover in both the Footsie futures and traded options as a firm Wall Street opening brought a turnround in the market, *writes Joel Kibazo.*

The much feared early morning crash failed to materialise and the March futures contract on the FT-SE 100 opened at a reasonably controlled 3,403, just a five-point discount to cash. Strong selling across the board, led by the big institutions, saw March fall further, but this settled into two-way business in late morning trading.

The anticipation, and later confirmation, of a strong performance in New York early yesterday helped March move firmly ahead and it finished at 3,413, a five-point discount to cash, following very heavy volume of 32,573 lots by the official close.

A hectic session in the traded options brought hefty turnover of 66,805 contracts, of which 31,597 were dealt in the FT-SE 100 option and 8,716 in the Euro FT-SE 100 option.

Hanson led the league table among the stock options with a total of 2,556 lots dealt and was followed by HSBC at 2,264 trades.

The new OMLX exchange dealing in the FT-SE Mid 250 Index futures and traded options had a poor day. Having opened at 4,080, the March futures closed 20 ahead at 4,100 with volume a mere 272 contracts by its 6pm close.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3403.0	3413.0	-82.0	3424.0	3374.0	35117	64075
Jun	3415.0	3428.0	-82.0	3428.0	3397.5	2266	8949
Sep	-	3448.0	-82.0	-	-	0	390

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4095.0	4100.0	+5.0	4107.0	4080.0	272	1,620
Jun		4116.5					

All open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3418) £10 per full index point

	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P
Feb	172½	7	128½	12½	88½	21½	55	37½	29	64½	14½	100½	9½	149½	3	199½
Mar	188	27	150	39	114	53	85	74	58	98	39	129	25½	167	15	208
Apr	203½	42½	166½	55½	134½	73½	104½	93½	80½	118½	59½	147½	42½	181½	28½	218½
May	223	56	186	68	155½	87	125½	107	100	131½	75	180½	66	193½	47½	230½
Jun†			200½	78½			149½	115½			92½	188½			67½	234½

Calls 12,752 Puts 21,304

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P
Feb	195½	5½	148½	8½	108½	14½	68½	30½	40	51	19½	84	9½	121	5	165½
Mar	209	23	167	30	129	42	97	60	70	82	48	110	31	143	19	181
Apr	220½	34½			147½	59½			99½	101½			49½	159½		
Jun	251½	53½			184½	84½			127½	125½			82½	178½		
Sept†	292½	77½			227	108½			171	149			124½	199½		

Calls 3,609 Puts 4,675 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P
Mar	34½		47	113½	63	98	85	62½	111½	44	144	31			21	180
Apr	53		67		83		106	91	133	83	72	95½			42	

Calls 21 Puts 88 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Feb 7	Day's chge%	Feb 4	Feb 3	Feb 2	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3419.1	-1.6	3475.4	3491.5	3520.3	2870.0	3.45	5.14	24.13	2.59	1253.33
FT-SE Mid 250	4077.1	-1.7	4146.4	4152.8	4150.9	3051.4	2.99	4.76	25.63	8.72	1481.99
FT-SE Mid 250 ex Inv Trusts	4092.8	-1.5	4154.4	4160.2	4156.8	3060.5	3.06	5.07	24.37	8.68	1482.84
FT-SE-A 350	1731.7	-1.6	1760.5	1767.3	1778.3	1416.5	3.34	5.05	24.51	1.87	1300.51
FT-SE SmallCap	2055.09	-1.9	2094.98	2091.07	2082.14	1528.92	2.68	3.38	37.87	2.70	1560.69
FT-SE SmallCap ex Inv Trusts	2028.58	-1.6	2060.72	2055.98	2045.57	1532.36	2.80	3.72	35.20	2.91	1543.42
FT-SE-A ALL-SHARE	1719.48	-1.7	1748.37	1754.48	1764.11	1398.63	3.29	4.93	25.12	1.89	1314.24

■ **FT-SE Actuaries All-Share**

	Feb 7	Day's chge%	Feb 4	Feb 3	Feb 2	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(16)	2616.99	-1.4	2654.83	2665.38	2679.02	2101.90	3.37	4.86	25.44	0.00	1020.83
12 Extractive Industries(4)	3915.74	-1.5	3976.82	4023.67	4107.55	3189.80	3.19	4.67	25.34	0.00	1053.75
15 Oil, Integrated(3)	2536.76	-1.3	2571.05	2579.05	2584.78	1980.30	3.45	5.03	24.76	0.00	1008.69
16 Oil Exploration & Prod(11)	1971.18	-2.1	2013.06	2001.38	1994.50	1971.00	3.03	3.64	35.26	0.00	1117.75
20 GEN MANUFACTURERS(264)	2190.67	-1.3	2218.76	2223.52	2232.66	1718.80	3.36	3.16	43.17	1.71	1084.74
21 Building & Construction(31)	1525.23	-1.1	1542.80	1527.94	1528.99	919.70	2.32	1.17	80.00†	0.48	1158.90
22 Building Matls & Merchs(30)	2318.17	-0.9	2339.00	2353.18	2373.38	1509.90	3.03	2.48	55.50	1.14	1082.16
23 Chemicals(20)	2466.26	-2.0	2516.05	2512.22	2512.33	2128.80	3.74	0.35	‡	0.38	1080.54
24 Diversified Industrials(16)	2174.58	-0.9	2195.21	2214.83	2231.57	1872.10	4.09	4.38	26.97	3.21	1075.55
25 Electronic & Elect Equip(34)	2236.34	-1.2	2263.38	2248.00	2241.87	1825.80	3.29	5.44	22.36	1.10	1082.61
26 Engineering(72)	1967.47	-1.6	1999.02	2000.04	2011.17	1445.70	2.75	1.99	60.00†	2.22	1089.19
27 Engineering, Vehicles(12)	2432.14	-1.9	2478.41	2509.51	2516.71	1842.90	4.26	3.17	44.26	0.06	1143.21
28 Printing, Paper & Pckg(27)	2897.97	-1.4	2939.61	2936.19	2940.24	2298.50	2.79	4.27	28.34	1.44	1113.34
29 Textiles & Apparel(22)	2006.09	-0.9	2024.96	2019.39	2016.13	1902.20	3.26	4.95	25.38	0.14	1104.80
30 CONSUMER GOODS(93)	2962.03	-0.9	2988.09	3012.26	3037.87	2921.80	3.77	6.63	17.78	5.62	996.96
31 Breweries(17)	2298.90	-1.3	2329.85	2377.80	2391.04	2174.20	3.86	7.46	16.46	9.84	1007.31
32 Spirits, Wines & Ciders(10)	3110.72	-0.7	3131.48	3180.14	3215.56	2943.90	3.41	6.18	19.03	19.74	1018.23
33 Food Manufacturers(23)	2526.22	-0.8	2547.83	2554.99	2568.86	2370.70	3.61	6.68	17.75	2.80	1028.45
34 Household Goods(12)	2849.87	-0.3	2857.88	2868.35	2872.12	2421.70	3.01	6.44	17.98	0.00	994.81
36 Health Care(20)	1867.92	-1.7	1900.97	1909.43	1904.69	1840.20	2.87	5.13	23.26	0.82	1058.01
37 Pharmaceuticals(10)	3101.45	-1.5	3148.25	3170.44	3193.53	3323.00	3.88	6.54	17.80	0.00	951.59
38 Tobacco(1)	4326.77	+1.1	4282.63	4282.63	4386.52	4125.50	4.85	7.36	15.86	0.00	932.25
40 SERVICES(221)	2130.18	-1.3	2157.25	2171.29	2183.70	1808.30	2.78	5.30	22.89	2.51	1022.56
41 Distributors(31)	3218.94	-1.9	3282.27	3286.69	3319.33	2513.40	2.61	4.86	24.93	1.24	1067.90
42 Leisure & Hotels(22)	2303.75	-1.8	2345.16	2346.40	2349.83	1768.70	3.52	5.10	23.57	9.06	1114.63
43 Media(40)	3244.25	-0.9	3275.31	3296.19	3298.42	2232.20	1.87	3.97	30.06	1.60	1104.07
44 Retailers, Food(17)	1593.14	-1.4	1618.30	1640.75	1666.61	2110.40	3.85	10.03	12.37	1.82	925.06
45 Retailers, General(43)	1788.17	-0.9	1805.12	1824.69	1846.97	1486.50	2.66	5.18	24.20	1.75	933.88
48 Support Services(40)	1824.81	-2.1	1864.29	1862.77	1866.43	1563.80	2.15	6.25	18.29	0.83	1069.13
49 Transport(16)	2774.14	-0.9	2799.92	2805.98	2797.79	2061.10	3.01	3.28	34.50	2.46	1063.61
51 Other Services & Business(12)	1339.01	-1.7	1361.54	1353.12	1343.08	1400.80	3.55	3.22	44.23	0.60	1125.88
60 UTILITIES(36)	2687.17	-1.8	2731.45	2742.30	2762.33	2047.00	3.70	7.92	15.23	5.19	1004.80
62 Electricity(17)	2555.25	-1.3	2589.61	2600.58	2619.12	1587.20	3.24	9.69	12.69	14.65	1031.39
64 Gas Distribution(2)	2257.50	-2.2	2307.47	2336.25	2359.28	1916.10	5.19	7.53	16.61	0.00	997.43
66 Telecommunications(4)	2380.14	-1.7	2420.93	2423.12	2450.42	1936.80	3.32	5.94	20.61	0.00	989.67
68 Water(13)	2086.05	-1.5	2117.59	2126.79	2109.36	1700.80	4.43	10.85	10.17	3.46	1003.68
69 NON-FINANCIALS(632)	1826.41	-1.3	1849.60	1868.93	1870.36	1540.33	3.37	5.48	22.39	2.29	1254.89
70 FINANCIALS(105)	2650.97	-3.1	2737.13	2727.75	2736.34	1822.00	3.15	3.04	46.91	0.60	1014.56
71 Banks(10)	3458.03	-4.0	3601.55	3573.77	3589.19	2242.80	2.74	3.60	37.17	0.06	999.75
73 Insurance(18)	1520.44	-1.6	1545.26	1554.86	1582.21	1314.70	4.37	‡	‡	0.09	1001.78
74 Life Assurance(6)	2753.30	-1.9	2806.96	2847.67	2896.32	2408.30	4.24	4.42	28.48	0.00	1011.53
75 Merchant Banks(6)	3653.52	-2.5	3748.17	3764.16	3761.29	2125.30	2.43	5.96	20.49	0.00	1070.52
77 Other Financial(25)	2209.19	-3.1	2279.35	2272.21	2241.52	1320.00	2.81	4.89	25.73	5.00	1149.73
79 Property(40)	1847.72	-2.1	1886.66	1889.49	1879.97	1116.70	3.34	3.01	44.20	1.78	1090.59
80 INVESTMENT TRUSTS(119)	3062.10	-3.5	3172.43	3179.20	3184.31	2245.70	2.07	1.57	59.99	5.33	1013.04
89 FT-SE-A ALL-SHARE(856)	1719.48	-1.7	1748.37	1754.48	1764.11	1398.63	3.29	4.93	25.12	1.89	1314.24

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3405.7	3401.7	3412.8	3393.0	3382.3	3389.4	3382.8	3404.1	3418.6	3419.1	3382.0
FT-SE Mid 250	4041.9	4047.6	4066.5	4061.3	4059.8	4054.3	4055.2	4064.0	4075.7	4077.1	4041.9
FT-SE-A 350	1723.0	1722.0	1728.2	1720.0	1716.2	1717.9	1719.3	1724.6	1731.4	1731.7	1715.0

Time of FT-SE 100 High 4:30pm Low 12:01pm

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1461.7	1459.9	1476.6	1475.3	1473.0	1473.4	1473.4	1476.7	1481.5	1481.5	1490.9	-9.4
Pharmaceuticls	3056.2	3044.6	3048.1	3035.6	3033.1	3035.5	3040.0	3045.0	3070.1	3070.3	3116.0	-45.7
Water	2068.3	2071.1	2076.8	2069.1	2057.0	2059.6	2060.3	2073.8	2083.8	2084.3	2116.0	-31.7
Banks	3527.0	3527.7	3523.3	3477.0	3471.3	3462.0	3472.9	3481.2	3502.3	3501.2	3646.5	-145.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.
† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ **Major Stocks yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	10,000	59	-1½
Abbey National†	2,400	502	+4
Albert Fisher	873	58	
Allied-Lyons†	3,600	624	-11
Anglian Water†	2,000	574	-7
Argos	370	372	-6
Argyll Group†	3,100	258	
Arjo Wiggins†	1,600	273	-6
Assoc. Brit. Foods†	376	577	-9
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied-Lyons	600	43	61½	61	13	31	35½
(*622)	650	17	28½	37	38½	58½	63
Argyll	240	26	31½	35½	7½	15	18½
(*258)	260	14½	21	25½	16½	26	29
ASDA	50	12	14	15½	1½	3	4½
[illegible]							

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Hanson	280	13½	16½	24	2	6½	13
(*281)	300	2½	9	14	12	19	24
Lasmo	130	8	16	22½	6	14	18½
(*133)	140	4	11½	17½	12½	19½	24½
Lucas Inds	220	8	16	23	6	14½	19
[illegible]							

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	72	5
Other Fixed Interest	0	13	2
Mineral Extraction	39	110	58
General Manufactures	50	513	121
Consumer Goods	18	139	36
Services	38	386	96
Utilities	1	42	3
Financials	24	279	87
Investment Trusts	1	439	24
Others	8	85	22
Totals	179	2078	454

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Feb. 7	Last Declarations	May 12
Last Dealings	Feb. 18	For settlement	May 23

Calls: Avesco, Barcom, Caverdale, Costain, Fairhaven, Henderson Admin., Hobsons, Microvitec, Mid-States, Millgate, Phonelink, Proteus, Rodime, SEET, Trafalgar Hse., Tullow Oil, Waverley Mining. Puts: Avesco, Barcom, Lloyds, Pentos, Tullow Oil, Waverley Mining. Puts & Calls: Birse, Costain, Trafalgar Hse.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	87.7	75¼	66¾	Baring Emrg Euro	70¾	-3¼	-	-	-	-
-	F.P.	9.81	49½	33¼	Do Warrants	39½	-3¼	-	-	-	-
§90	F.P.	6.25	133	108	Comp Fin Sol	133	+7	N-	-	-	20.7
100	F.P.	49.1	100	96	Fairbairn Eur Sm	96	-2½	-	-	-	-
100	F.P.	29.8	122	100	For & Col Small C	117½	-4	-	-	-	-
60	P.P.	18.0	60	59	Friends Prov Eth	60		-	-	-	-
120	P.P.	37.2	128	121	Do. Units	124	-4	-	-	-	-
60	P.P.	18.3	63	61	Do. Zero Div Pf	61	-½	-	-	-	-
-	F.P.	5.63	93	83	Pantheon Wrts	83		-	-	-	-
§10	F.P.	2.23	12	10¼	Rossmont	12		-	-	-	-
§120	F.P.	13.3	142	122	Slimma	141		R3.7	2.5	3.3	14.9
-	F.P.	0.56	15	9	Thornton P.E. Wts.	14		-	-	-	-
-	F.P.	3.10	52¼	51	Do. Zero Div. Pf.	51¾		-	-	-	-

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94	-½
-	F.P.	-	130p	123p	Carlton Comm. 5.5p Cv. Pf.	128p	
80	P.P.	-	88pm	80pm	Pantheon Cv Ln '95/97	85pm	-3
-	F.P.	-	110¼p	99¼p	Sun Alliance 7⅜pc Pf	108¼p	-1½
-	F.P.	18/2	153½p	127½p	Trafalgar Hse Cv Rd Pf	149¼p	-2
-	F.P.	-	131	107	Wilan 8¼pc Bds	127	-3

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
48	Nil	17/2	20pm	8pm	Anglo Irish	16pm	
120	Nil	16/3	112pm	103pm	Berisford	112pm	
88	Nil	9/2	25½pm	9pm	Crest Nicholson	23pm	-2½
26	Nil	9/2	1¾pm	¾pm	¾Ramus	1¾pm	
275	Nil	25/3	40pm	38pm	Stanley Leis.	38pm	
51	Nil	25/2	11pm	8pm	Worthington	11pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23½	–⅜	£25⅛	£18⅞	6,544	4.4	12.5
ANZ A$		262¼	–6¾	288	130	3,432	3.5	20.6
Abbey National	†□	502	+4	524	345	6,581	3.0	19.4
Allied Irish I£	‡†a□	278	–11	314	179	1,837	3.7	14.2
Anglo Irish I£	[illegible]	67xd	–1	*78	28	81.9	6.4	12.2
Asahi Y		689½	–2½	844	415	15,898	0.7	–
Banco Bil Viz Pta		£15⅝	–⅛	£17⅝	£13⅜	3,885	5.2	7.1
Banco Sant Pta		£32⅛	–	£36	£24⅝	3,569	4.1	12.2
Bank Leumi (UK)		375	–	375	325	29.8	5.7	–
Bk Ireland I£	‡uz□	283	–14	*319	177	1,334	4.4	20.9
Bank Scotland	‡†□	228	–3½	247	116½	2,830	2.6	30.7
9¾pc Pf		138¾	–1½	141½	117¾	138.8	8.3	–
9¼pc Pf		145½	–1¼	148½	123½	145.5	8.4	–
Barclays	‡N□	587	–18	602	362	9,689	2.6	–
Dai Ichi Kan Y		£12⅛	–⅛	£15[illegible]	£8⅞	37,800	0.5	66.6
Deutsche DM		£303⅛	–13⅛	£348⅞	£250½	14,449	2.0	–
Espirito Santo		£25⅛	–1⅛	£26⅛	£16½	288.0	3.2	6.1
First Nat Fin	N□	85xd	–3	*85	45	141.7	2.2	–
6.3pc Cv Pf		87	–1	*91	55	5.85	9.1	–
7pc Cv Pf		163	–4	169	105	77.4	5.4	–
Fuji Bank Y		1378¼	–7¼	1651	876	39,863	0.4	–
HSBC HK	†□	1037	–80	1133	474	17,701	2.4	34.8
HSBC (75p Shs)	†□	1019	–83	1113	490	8,341	2.5	24.3
Lloyds	†□	615	–10	690	482	7,886	3.9	17.6
Mitsubishi Y		£17⅛	–⅛	£19¼	£11⅞	50,852	0.3	–
Mits Tst & Bk Y		883¼	–	1012½	462½	11,908	0.6	14.2
Mitsui Tst & Bk Y		682¼	–43½	862	374	8,173	0.8	23.2
Nat Aust A$		607¼	–5¼	620¼	322	7,980	3.9	14.8
NatWest	†□	558	–13	634	398	9,248	4.0	33.8
Ottomans FFr		£32⅛	[illegible]	£33	£23¼	761.9	4.8	9.5

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
Paribas French	□	141	-7	149	98	1.1	144.3	2.3
Perpetual Japan	□	109	-2	118	83	-	102.2	-6.2
Warrants	□	79	—	88	37	-	-	-
Personal Assets	†	£90½	-1	£91½	£76½	2.6	8535.1	5.1
Pilot Inv	Z□	150	-3	163	96	0.4	142.0	-5.3
Warrants	□	65	-4	69	21	-	-	-
C	□	112½	-4½	117	100	-	109.6	-2.6
Primadona		273	-8	283	157	2.1	323.7	15.7
RIT Capital	□	183	-2	189	100	0.6	224.5	18.5
7½pc Cv Ln 2000		£189	-2	£188½	£100½	1.4	-	-
Radiotrust	□	80	-6	88	47	-	69.5	-14.4
Rights & Iss Inc	†	160	-3	163	114	6.6	-	-
Cap		508	-27	535	303	2.6	564.0	9.9
Riv & Merc Am Inc		118	-2	120	108	8.3	-	-
Cap	□	36	-2	39	27	-	47.8	24.7
Warrants		16	-1	17	11	-	-	-
Riv & Mer Ext	N□	143xd	-3	147	87	6.6	138.5	-3.1
Warrants		43	-4	48	13	-	-	-
Zero Div Pf		117	-½	117½	103	-	-	-
Riv & Mer Geared		108	-6	118	81	9.7	-	-
Prfd Cap 1999		32½	-1½	35	18	-	40.3	19.4
Riv & Merc Smllr	N□	162	-7	170	95	3.1	158.4	-2.2
Warrants		68	-5	75	22	-	-	-
Riv & Merc Tst Inc	□	120	-3	127	108	9.6	-	-
Cap	□	138	-10	150	55	-	253.5	45.6
Warrants		37	-2	39	8	-	-	-
Riv Stood Prf	N	161½	-½	163	147	4.3	-	-
River Plate Inc	N□	107	-2	119	98	10.4	-	-
Cap		103	-10	118	38	-	200.1	48.5
Warrants		8	-2	11	1	-	-	-
Zero Div Pf		84¾	-¼	85¼	77¾	-	-	-
St Andrew		332	—	332	214	3.0	354.3	6.3
St David's Inc		136	-4	153	123	13.6	-	-
Cap		213	-9	223	78	-	357.1	40.4
Zero Prf		150	-1	161½	131	-	-	-
[illegible]								

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

INVESTMENT COMPANIES

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

LEISURE & HOTELS

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£18¾	—	£18¾	£7½	1,118	3.7	15.8
Barlow		£4⅝	-⅛	£6⅛	£4	909.2	7.1	8.4
Gold Fields SA R		£14xd	-½	£18	£7¼	1,359	2.8	23.5
NK Props.	s	95	—	97	68	3.82	9.3	39.1
SASOL	♥	332	+15	332	215	1,880	4.7	-
SA Brews		£13⅞	-⅛	£15⅞	£7⅞	7,475	2.0	22.9
Tiger Oats		713	-10	838	513	1,071	2.3	15.1
Tongaat-Hulett	†	522xd	+2	522	212	388.7	2.9	14.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IMR 'Headline Earnings' P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4614. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) *for more information on FT Cityline.*

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

TSB Unit Trusts (1200)F
Charlton Pl, Andover, Hants, SP10 1RE 0264 345794

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	232.80	232.80	247.66		-
Do Accum	6	256.42	258.42	272.78		-
TSB Brit Growth	6	103.22	103.22	109.81		1.52
Do Accum	6	122.23	122.23	130.03		1.52
TSB European	6	114.80	114.80	122.13		0.08
Do Accum	6	122.01	122.01	129.80		0.08
TSB Gtd Income	6	227.15	227.12	241.61		3.32
Do Accum	6	349.62	371.34	395.04		3.32
TSB Smaller Cos	6	81.19	83.38	88.69		0.83
Do Accum	6	90.28	92.87	98.49		0.83
TSB General	6	314.87	319.51	339.37		1.89
Do Accum	6	634.32	642.56	683.88		1.89
TSB Premier Income	5	56.01	57.03	59.41		5.33
Do Accum	5	121.54	123.74	128.90		5.33
TSB Income	6	387.43	393.01	418.09		2.97
Do Accum	6	820.61	832.32	885.44		2.97
TSB Pacific	6	458.75	458.75	488.04		-
Do Accum	6	490.44	490.44	521.74		-
TSB International	6	592.17	592.17	629.96		0.02
Do Accum	6	777.18	777.18	826.79		0.02
TSB Nat Resources	6	188.54	188.79	200.84		-
Do Accum	6	204.72	207.18	220.42		-
TSB Gold Opps	6	121.85	121.00	131.92		0.80
Do Accum	6	153.88	156.48	166.47		0.80
Environmental Inv	6	69.73	69.73	73.84		1.10
Do Accum	6	75.05	75.05	79.84		1.10
TSB Selector	6	70.88	71.77	76.35		1.80
Do Accum	6	78.52	79.70	84.85		1.80
TSB High Income	6	72.08	73.52	78.21		3.68
Do Accum	6	88.43	89.48	95.17		3.68
TSB Intl Income	6	83.96	84.37	89.48		4.53
Do Accum	6	75.41	75.90	80.75		4.53
TSB Selector Income	6	68.56	69.27	73.69		4.46
Do Accum	6	77.91	78.72	83.74		4.45

T.U. Fund Managers Limited (1200)H
NLA Tower, Addiscombe Road, Croydon 081-686 4355

T U Growth	5	354.6	359.4	378.7	-8.3	2.44
T.U. European		51.64	53.64	56.04	-0.36	2.00

Templeton Unit Trust Managers Ltd (1200)F
20 Castle Terrace, Edinburgh EH1 2EH 031-228 3932

Global Growth Acc	6	232.54	232.92	248.11	-4.77	1.44
Global Growth Inc	6	210.92	211.28	225.95	-4.33	1.44
Global Balanced Acc	6	205.03	208.09	220.43	-4.41	2.48
Global Balanced Inc	6	179.87	180.01	192.62	[illegible]	2.48

INSURANCES

AXA Equity & Law Life Assce
Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	985.0	1036.8	-25.6	-
Higher Income Ser 5	1067.4	1123.5	-22.5	-
Property Ser 5	524.7	552.3	-	-
Fixed Interest Ser 5	421.0	443.7	-3.1	-
Index Lnkd Secs Ser 5	186.7	196.5	-1.6	-
Gtd Deposit Ser 5	289.0	304.2	-	-
Nth America Ser 5	430.1	452.7	-12.0	-
Far East Ser 5	576.8	607.1	-27.8	-
Europe Ser 5	368.1	387.4	-7.0	-
International Ser 5	584.3	594.0	-19.4	-
Balanced Ser 5	706.9	744.1	-15.1	-
Reserve Ser 5	149.0	156.8	-0.3	-
Opportunity Ser 5	163.7	172.3	-3.3	-
Distribution Ser 5	109.2	114.9	-1.1	-
Pens Equity Ser 3 (4)	1424.0	1499.0	-12.2	-
Pens Higher Inc S 3 (4)	345.8	383.9	-3.4	-
Pens Fixed Int S 3 (4)	572.7	602.8	-3.0	-
Pens Index Linked Sec S 3 (4)	244.8	257.8	-1.7	-
Pens Property S 3 (4)	488.5	514.2	-	-
Pens N America S 3 (4)	194.7	204.9	+0.3	-
Pens Far East S 3 (4)	351.5	369.9	+3.6	-
Pens Europe S 3 (4)	211.4	222.5	-	-
Pens Overseas S 3 (4)	878.2	924.4	+3.1	-
Pens Balanced S 3 (4)	839.4	883.5	-3.8	-
Pens Cash S 3 (4)	420.3	442.2	-	-
Pens DAF Series 3 (4)	235.2	247.5	-	-
Pens DAF Series 1 (4)	466.5	491.0	-	-
Pens Opportunity S 3 (4)	181.9	191.4	-0.9	-
Pens Reserve S 3 (4)	172.9	182.0	-0.4	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop Ser 1	273.1	287.5	-	-
Equity Ser. 1	182.3	191.9	-3.7	-
Prop. Acc. Ser 2	498.7	525.0	-	-
Equity Ser 2	236.6	249.1	-4.7	-
Selective Acc. Ser 2	498.4	524.7	-3.7	-

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Royal Liver Assurance

Skandia Life Assurance Co Ltd - Contd.

Templeton Life Assurance Limited

Tunbridge Wells Equitable

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Grss
EBC Fund Managers (Jersey) Ltd				
EBC Traded Currency Fund Ltd*				
Income	$14.40	14.882	—	1.26
Capital	$22.09	23.391	—	—
*Offer price includes 5% prelim. charge				
International Income Fund*				
Eurobd Long Term–US$	$32.99	34.4552	-0.0031	4.90
Eurobd Long Term –DM	DM105.68	110.4053	-0.2494	1.63
* Offer Price includes 3½% Initial Charge				
Fleming Group				
Robert Fleming Management (Jersey) Ltd				
Czech & Slovak NAV Jan 31	$12.15		—	—
Deutschland NAV Jan 31	DM17.06		—	—
Foreign & Colonial Mngmt (Jersey) Ltd				
Hypo Foreign & Colonial Reserve Asset Fd Ltd				
US$ Cash	$11.195		+0.001	—
Sterling Cash	£13.265		+0.001	—
US$ Bonds	$16.962		-0.140	—
Multicurrency Bonds	£22.832		-0.248	—
Sterling Bonds	£17.578		-0.108	—
D Mark Bonds	DM12.800		-0.04	—
European Bonds	Ecu14.836		-0.079	—
UK Equities	£14.195		-0.262	—
US Equities	$15.718		-0.435	—
Japanese Equities	Y858.8		-9.1	—
Conti Euro Equities	DM21.144		-0.510	—
UK Negative Equities	£10.429		+0.391	—
US Negative Eq				—
Japanese Negative Eq	Y910.3		+9.8	—
Cont Eur Negative Eqs				—
UK Geared Equities	£10.993		-0.448	—
US Geared Equities	$11.109		-0.522	—
Japanese Geared Eqs	Y1015.9		-28.00	—
Contl Euro Geared Eqs	DM16.001		-0.797	—
Gold	$11.183		-0.143	—
Protected Capital Plus A	£11.434		-0.003	—
Protected Capital Plus B	£11.375		-0.029	—
Greece Fund Ltd				
NAV Feb 3	$24.68		—	—
John Govett Management (Jersey) Ltd				
[illegible]				

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Comgest SA						
56 rue de Londres, 75008 Paris 010 331 4470 7510						
Comgest Europe SICAV		SFr-	1268.01		—	-
Commercial Union Luxembourg SA (u)						
41 Ave de la Gare L-1611 010 352 4022820201						
Commercial Union Privilege Portfolio						
Equity Funds						
Monthly Income		£-	1.2288	1.3083	+0.01	7.05
[illegible]						

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar marks time

Yesterday was a day of consolidation in foreign exchange markets following Friday's excitement when a tightening of monetary policy by the US Federal Reserve caused a sharp rise in the dollar, *writes Philip Gawith.*

Expectations of further dollar gains against the D-Mark were not realised and the US currency ended trading in London at levels similar to those reached in after-hours activity on Friday evening. Against the yen it weakened slightly from late Friday levels. As one observer noted: "With all of the market looking in one direction - expecting the dollar to rise - not much happened."

■ The market was uncertain about the pace and extent of future rate movements in the US. Mr Alan Greenspan, chairman of the US Federal Reserve, has a reputation as a gradualist and thus most observers expect further small increases, with the Federal Funds rate ending the year at 3.75 per cent or 4 per cent.

Explaining the dollar's fairly sedate performance after some profit-taking during Asian trading, Mr Jeremy Hawkins, senior economic adviser at the Bank of America, commented: "The trend has changed, but the gradient of change looks like it is still going to be very shallow. So it is positive for the dollar, but not positive enough to give the dollar much of a kick, so long as German rates remain unchanged."

The dollar finished in London at DM1.7630 - the level at which it was trading late on Friday evening, but higher than the close of DM1.736. It closed against the yen at Y108.7050 after trading in a narrow range all day.

■ The mark was under pressure yesterday finishing lower against most other European currencies.

Attention today will be focused on the repo announcement from the Bundesbank. If the central bank allows a variable rate tender, following a period of fixed rate tenders at 6 per cent, this will be taken as a signal that it is happy to sanction a softening of interest rates. Given the chance, the market would certainly try and drive rates lower. But any fall in the repo rate will be small as the repo rate, at 6 per cent, is only 25 basis points above the discount rate which acts as a floor for official German rates. However, the symbolic message that rates were on their way down would be a powerful one.

Although the weak state of the German economy favours a cut in rates, the Bundesbank might not want to ease policy against the background of a weak currency.

Mr Mark Austin, treasury strategist at Midland Global Markets, comments: "There is a belief now in the market that the Bundesbank has got itself into a bit of a hole. It had various opportunities to cut rates which it passed up and now it is going to be more difficult."

Mr Austin said it was not clear that keeping rates high now would help the currency. The recent history of the ERM suggests high rates have been ineffective in supporting a currency perceived by the market as weak. Most analysts argue that the market is more interested in measures aimed at stimulating growth.

Few, however, are confident that the Bundesbank shares this view. Indeed, Mr Norbert Walter, Deutsche Bank chief economist, said in Washington yesterday that the Bundesbank might hold off cutting interest rates at least until regional elections in mid-March, and could even raise rates temporarily if the D-Mark weakens too much. "I would not fully exclude the possibility that the Bundesbank will increase short-term rates," said Mr Walter.

Yesterday Bundesbank president Mr Hans Tietmeyer, speaking in his capacity as the G10 central bank governors' chairman, said G10 central bankers were not troubled by developments on foreign exchange markets following the Fed's tightening of policy on Friday. "Until now there is not much concern about the situation (on forex markets)." Mr Tietmeyer told reporters after the monthly meeting of G10 central bank governors in Basle.

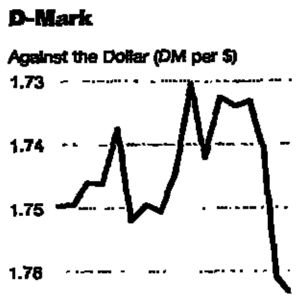
■ The Belgian franc closed at BFr20.62 to the mark, down three centimes over the day, after the Belgian central bank trimmed interest rates. The Belgian National Bank cut its key central rate by 15 basis points to 6.70 per cent from 6.85 per cent. The central rate is now at its lowest level since July 2, when it was set at 6.70 per cent. The central bank later had to raise interest rates because of the ERM currency crisis in late July. Belgium's central rate was last cut a week ago. Observers said yesterday's move was further evidence of EMS currencies decoupling interest rate policy from the Bundesbank when conditions allowed.

■ Sterling had a fairly quiet day, trading around the DM2.61 level against a generally weak German currency. It closed at $1.4811 against the dollar having traded in a fairly narrow range all day. Consumer credit news showing net lending up to £433m against a £290m forecast, lent support to the view that the UK economic recovery is proceeding apace and hence that no rate cut is imminent.

■ The Bank of England provided the UK money markets with £650m of assistance yesterday. This was in line with its revised forecast of the liquidity shortage, adjusted upwards from its early estimate of a £500m shortage.

D-Mark

Against the Dollar (DM per $)



Source: FT Graphite

■ **Pound in New York**

Feb 7	Latest	Prev. close
£ spot	1.4815	1.4775
1 mth	1.4791	1.4750
3 mth	1.4746	1.4705
1 yr	1.4631	1.4586

POUND SPOT FORWARD AGAINST THE POUND

Feb 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.3465	+0.1279	402 - 587	18.3685	17.9724	18.3533	-0.2	18.3627	-0.3	-	-	112.7
Belgium	(BFr)	53.8251	+0.4634	902 - 599	53.8599	53.2426	53.8801	-1.2	54.0101	-1.4	54.3201	-0.9	113.2
Denmark	(DKr)	10.1316	+0.0775	251 - 379	10.1378	10.0839	10.1395	-0.9	10.154	-0.9	10.173	-0.4	114.0
Finland	(FM)	8.3478	+0.1023	379 - 577	8.3634	8.2876	-	-	-	-	-	-	81.6
France	(FFr)	8.8480	+0.0583	432 - 527	8.8542	8.7242	8.8543	-0.9	8.8686	-0.9	8.8856	-0.4	107.3
Germany	(DM)	2.6111	+0.0214	096 - 126	2.6162	2.5996	2.6125	-0.6	2.6148	-0.6	2.6138	-0.1	121.1
Greece	(Dr)	375.298	+2.72	036 - 560	375.560	373.815	-	-	-	-	-	-	-
Ireland	(I£)	1.0494	+0.009	475 - 492	1.0492	1.0412	1.0489	-0.5	1.05	-0.6	1.0537	-0.5	103.2
Italy	(L)	2516.68	-7.47	517 - 818	2518.98	2508.37	2522.75	-2.9	2535.68	-3.0	2581.48	-2.6	78.7
Luxembourg	(LFr)	53.8251	+0.4634	902 - 599	53.8599	53.2426	53.8801	-1.2	54.0101	-1.4	54.3201	-0.9	113.2
Netherlands	(Fl)	2.9218	+0.0217	202 - 234	2.9255	2.9096	2.9218	0.0	2.922	0.0	2.9126	0.3	117.2
Norway	(NKr)	11.1960	+0.0757	904 - 016	11.2016	11.1197	11.1925	0.4	11.1865	0.3	11.1942	0.0	84.3
Portugal	(Es)	262.154	+1.685	963 - 344	262.344	259.045	263.429	-5.8	265.579	-5.2	-	-	-
Spain	(Pta)	210.931	+1.221	793 - 069	211.069	209.698	211.516	-3.3	212.716	-3.4	216.681	-2.7	85.0
Sweden	(SKr)	11.8207	+0.1157	097 - 317	11.8392	11.5745	11.8442	-2.4	11.8752	-1.8	11.9927	-1.5	77.6
Switzerland	(SFr)	2.1814	+0.025	802 - 825	2.1825	2.1734	2.1784	1.1	2.1749	1.2	2.1509	1.4	117.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.0
Ecu	-	1.3406	+0.0069	399 - 413	1.3413	1.3345	1.3418	-1.1	1.3443	-1.1	1.3479	-0.5	-
SDR†	-	0.927945	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4789	-0.01	784 - 794	1.4816	1.4730	-	-	-	-	-	-	-
Brazil	(Cr)	746.090	+8.488	860 - 320	747.000	729.000	-	-	-	-	-	-	-
Canada	(C$)	1.9866	+0.0042	855 - 876	1.9915	1.9775	1.9839	1.6	1.9791	1.5	1.9652	1.1	90.5
Mexico (New Peso)		4.5987	-0.0334	958 - 015	4.6049	4.5820	-	-	-	-	-	-	-
USA	($)	1.4811	-0.0107	806 - 815	1.4840	1.4752	1.4786	2.0	1.4741	1.9	1.4621	1.3	67.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0716	-0.0147	702 - 729	2.0820	2.0685	2.0701	0.9	2.0677	0.7	2.0658	0.3	-
Hong Kong	(HK$)	11.4508	-0.0719	465 - 550	11.4689	11.3974	11.4291	2.3	11.3947	2.0	11.2946	1.4	-
India	(Rs)	46.4550	-0.3409	390 - 710	46.4710	46.2810	-	-	-	-	-	-	-
Japan	(Y)	160.998	-0.251	912 - 084	162.550	160.900	160.593	3.0	159.733	3.1	156.083	3.1	182.0
Malaysia	(M$)	4.0966	-0.0305	946 - 986	4.1033	4.0663	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5877	-0.0233	853 - 900	2.5949	2.5827	2.5906	-1.3	2.5949	-1.1	2.6035	-0.6	-
Philippines	(Peso)	40.8771	-0.2967	684 - 857	41.1857	40.5684	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5545	-0.0402	525 - 565	5.5651	5.5327	-	-	-	-	-	-	-
Singapore	(S$)	2.3549	-0.0142	534 - 563	2.3581	2.3493	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0886	-0.0143	839 - 892	5.0968	5.0677	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5759	+0.0157	665 - 853	6.5893	6.5019	-	-	-	-	-	-	-
South Korea	(Won)	1198.54	-6.24	795 - 913	1200.70	1191.52	-	-	-	-	-	-	-
Taiwan	(T$)	39.1368	-0.2244	175 - 560	39.2000	38.960	-	-	-	-	-	-	-
Thailand	(Bt)	37.6928	-0.2288	685 - 190	37.7530	37.5730	-	-	-	-	-	-	-

†SDR rate for Feb.4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.3895	+0.175	870 - 920	12.3940	12.1830	12.4095	-1.9	12.4447	-1.8	12.5115	-1.0	102.3
Belgium	(BFr)	36.3425	+0.5725	300 - 550	36.3550	36.0600	36.4425	-3.3	36.6375	-3.2	37.1525	-2.2	103.1
Denmark	(DKr)	6.8408	+0.1013	385 - 430	6.8430	6.8152	6.8581	-3.0	6.8883	-2.8	6.9578	-1.7	103.0
Finland	(FM)	5.6364	+0.1092	314 - 414	5.6480	5.5993	5.6421	-1.2	5.6519	-1.1	5.6859	-0.9	77.1
France	(FFr)	5.9741	+0.0821	727 - 755	5.9795	5.9115	5.9884	-2.9	6.0158	-2.8	6.0761	-1.7	103.9
Germany	(D)	1.7630	+0.027	625 - 635	1.7643	1.7577	1.7667	-2.6	1.7737	-2.4	1.7874	-1.4	103.2
Greece	(Dr)	253.400	+3.65	300 - 500	253.500	252.780	256.55	-14.9	263.45	-15.9	292.9	-15.6	71.1
Ireland	(I£)	1.4128	-0.0226	120 - 135	1.4241	1.4120	1.4098	2.7	1.4031	2.7	1.3855	1.9	-
Italy	(L)	1699.25	+17.25	875 - 975	1700.50	1694.75	1706.1	-4.8	1701.33	-0.5	1705.65	-0.4	77.2
Luxembourg	(LFr)	36.3425	+0.5725	300 - 550	36.3550	36.0600	36.4425	-3.3	36.6375	-3.2	37.1525	-2.2	103.1
Netherlands	(Fl)	1.9726	+0.0288	723 - 733	1.9757	1.9635	1.9761	-2.0	1.9819	-1.8	1.9919	-1.0	102.8
Norway	(NKr)	7.5595	+0.1052	580 - 610	7.5680	7.5190	7.5692	-1.5	7.5892	-1.6	7.6355	-1.0	94.3
Portugal	(Es)	177.005	+2.405	930 - 080	176.650	175.650	181.955	-33.6	179.815	-6.4	186.88	-5.6	94.0
Spain	(Pta)	142.420	+1.845	370 - 470	142.470	142.000	143.055	-5.4	144.285	-5.2	148.18	-4.0	80.5
Sweden	(SKr)	7.9813	+0.1351	763 - 863	7.9913	7.8459	8.0065	-3.8	8.0563	-3.8	8.2038	-2.8	83.4
Switzerland	(SFr)	1.4729	+0.0274	725 - 732	1.4755	1.4663	1.4742	-1.0	1.4757	-0.7	1.4739	-0.1	105.1
UK	(£)	1.4811	-0.0107	806 - 815	1.4840	1.4752	1.4786	2.0	1.4741	1.9	1.4621	1.3	90.5
Ecu	-	1.1048	-0.0155	045 - 050	1.1082	1.1045	1.1019	3.1	1.0967	2.9	1.0853	1.8	-
SDR†	-	1.38280	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	+0.0005	985 - 986	0.9986	0.9985	-	-	-	-	-	-	-
Brazil	(Cr)	503.758	+9.32	755 - 760	503.765	503.755	-	-	-	-	-	-	-
Canada	(C$)	1.3413	+0.0124	410 - 416	1.3430	1.3396	1.3417	-0.4	1.3424	-0.3	1.3438	-0.2	87.2
Mexico (New Peso)		3.1050	-	040 - 060	3.1060	3.1040	3.1068	-0.5	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3987	+0.0002	982 - 992	1.4085	1.3966	1.3997	-0.9	1.4026	-1.1	1.4101	-0.8	89.3
Hong Kong	(HK$)	7.7315	+0.0075	310 - 320	7.7320	7.7258	7.733	-0.2	7.7355	-0.2	7.7465	-0.2	-
India	(Rs)	31.3683	-0.0025	650 - 675	31.3650	31.3675	31.4313	-2.5	31.5663	-2.6	-	-	-
Japan	(Y)	108.705	+0.615	680 - 730	108.730	108.68	108.61	1.0	108.36	1.3	106.755	1.8	142.7
Malaysia	(M$)	2.7660	-0.0005	655 - 665	2.7730	2.7648	2.7595	2.8	2.7585	1.1	2.781	-0.5	-
New Zealand	(NZ$)	1.7472	-0.0031	461 - 483	1.7544	1.7437	1.7488	-1.1	1.7533	-1.4	1.7675	-1.2	-
Philippines	(Peso)	27.6000	-	000 - 000	27.9000	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	502 - 506	3.7506	3.7500	3.7528	-0.8	3.7571	-0.7	3.7759	-0.7	-
Singapore	(S$)	1.5900	+0.0019	895 - 905	1.5915	1.5895	1.5889	0.9	1.5867	0.8	1.599	-0.6	-
S Africa (Com.)	(R)	3.4345	+0.0152	337 - 352	3.4410	3.4335	3.4515	-5.9	3.4805	-5.4	3.588	-4.5	-
S Africa (Fin)	(R)	4.4400	+0.0425	350 - 450	4.4450	4.4075	4.471	-8.4	4.53	-8.1	-	-	-
South Korea	(Won)	809.250	+1.65	100 - 400	809.400	809.300	812.25	-4.4	815.75	-3.2	834.25	-3.1	-
Taiwan	(T$)	26.4250	+0.04	200 - 300	26.4300	26.4100	26.5275	-4.7	26.875	-3.8	-	-	-
Thailand	(Bt)	25.4500	+0.03	400 - 600	25.4600	25.4500	25.52	-3.3	25.66	-3.3	25.8	-1.4	-

†SDR rate for Feb.4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.4. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.44	4.850	1.947	4676	5.428	20.79	487.1	391.8	21.96	4.052	1.858	3.691	2.751	299.1	2.491
Denmark	(DKr)	53.14	10	8.734	2.577	1.035	2485	2.885	11.05	258.8	208.2	11.67	2.153	0.987	1.962	1.462	158.9	1.324
France	(FFr)	60.84	11.45	10	2.951	1.184	2845	3.302	12.65	296.3	238.4	13.36	2.465	1.130	2.246	1.674	182.0	1.516
Germany	(DM)	20.62	3.880	3.389	1	0.401	964.0	1.119	4.286	100.4	80.77	4.527	0.835	0.383	0.761	0.567	61.66	0.514
Ireland	(I£)	51.38	9.666	8.443	2.491	1	2402	2.788	10.68	250.2	201.2	11.28	2.081	0.954	1.896	1.413	153.6	1.280
Italy	(L)	2.139	0.402	0.352	0.104	0.042	100.	0.116	0.445	10.42	8.379	0.470	0.087	0.040	0.079	0.059	6.397	0.053
Netherlands	(Fl)	18.42	3.467	3.028	0.894	0.359	861.4	1	3.830	89.73	72.18	4.045	0.746	0.342	0.680	0.507	55.10	0.459
Norway	(NKr)	48.11	9.053	7.907	2.333	0.937	2249	2.611	10	234.3	188.5	10.56	1.949	0.894	1.776	1.324	143.9	1.198
Portugal	(Es)	20.53	3.863	3.375	0.996	0.400	960.0	1.114	4.268	100.	80.43	4.508	0.832	0.381	0.758	0.565	61.40	0.511
Spain	(Pta)	25.52	4.803	4.195	1.238	0.497	1193	1.385	5.306	124.3	100.	5.605	1.034	0.474	0.942	0.702	76.34	0.636
Sweden	(SKr)	45.54	8.570	7.486	2.209	0.887	2129	2.472	9.467	221.8	178.4	10	1.845	0.846	1.681	1.253	136.2	1.135
Switzerland	(SFr)	24.68	4.645	4.057	1.197	0.481	1154	1.340	5.131	120.2	96.70	5.420	1	0.459	0.911	0.679	73.82	0.615
UK	(£)	53.83	10.13	8.848	2.611	1.048	2517	2.922	11.19	262.2	210.9	11.82	2.181	1	1.987	1.481	161.0	1.341
Canada	(C$)	27.09	5.098	4.453	1.314	0.527	1267	1.471	5.632	132.0	106.1	5.949	1.098	0.503	1	0.745	81.03	0.675
US	($)	36.35	6.840	5.974	1.763	0.708	1700	1.973	7.556	177.0	142.4	7.981	1.473	0.675	1.342	1	108.7	0.905
Japan	(Y)	334.3	62.92	54.96	16.22	6.509	15634	18.15	69.50	1629	1310	73.42	13.55	6.211	12.34	9.199	1000.	8.329
Ecu		40.14	7.554	6.598	1.947	0.782	1877	2.179	8.345	195.5	157.3	8.814	1.626	0.746	1.482	1.104	120.1	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5657	0.5651	-0.0005	0.5675	0.5652	102,455	150,776
Jun	0.5633	0.5633	-0.0004	0.5638	0.5633	1,935	9,574
Sep	0.5615	0.5615	-0.0002	0.5615	0.5615	7	324

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6775	0.6796	+0.0004	0.6814	0.6775	44,958	50,428
Jun	0.6785	0.6790	+0.0006	0.6794	0.6780	686	1,038
Sep	-	0.6788	-0.0093	-	-	5	44

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9164	0.9198	+0.0036	0.9214	0.9162	48,607	80,706
Jun	0.9230	0.9230	+0.0037	0.9244	0.9228	673	6,889
Sep	-	0.9280	-	0.9280	-	30	689

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4728	1.4770	+0.0048	1.4808	1.4722	47,637	40,324
Jun	1.4700	1.4710	+0.0048	1.4730	1.4700	443	1,797
Sep	-	1.4660	-	1.4690	-	758	432
Dec	-	1.4640	-	1.4640	-	2	12

EMS EUROPEAN CURRENCY UNIT RATES

Feb 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.779862	-0.00012	-3.56	5.80	24
Netherlands	2.19672	2.18187	+0.00214	-0.68	2.73	-
Belgium	40.2123	40.1342	+0.0334	-0.19	2.23	1
Germany	1.94964	1.94777	+0.00252	-0.10	2.13	-
France	6.53883	6.60357	+0.00225	0.99	1.03	-8
Portugal	192.854	195.375	-0.256	1.31	0.72	-9
Denmark	7.43679	7.55998	+0.00755	1.66	0.37	-11
Spain	154.250	157.384	-0.18	2.03	0.00	-14
NON ERM MEMBERS						
Greece	264.513	279.919	+0.018	5.82	-3.58	-
Italy	1793.19	1878.13	-7.39	4.74	-2.58	-
UK	0.786749	0.746650	-0.001934	-5.10	7.51	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.400	7.78	7.60	7.62	-	0.06	0.33
1.425	5.34	5.29	5.60	-	0.21	0.75
1.450	2.89	3.25	3.82	0.01	0.66	1.45
1.475	0.93	1.72	2.44	0.44	1.57	2.50
1.500	0.10	0.74	1.44	2.06	3.04	3.94
1.525	-	0.24	0.78	4.38	5.02	5.76

Previous day's vol., Calls 26,182 Puts 32,079 . Prev. day's open int., Calls 490,811 Puts 505,841

WORLD INTEREST RATES

MONEY RATES

February 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6 1/16	6¾	6¼	6⅛	7.40	5.25	-
week ago	7¼	6 1/16	6¾	6⅞	6¼	7.40	5.25	-
France	6 1/16	6½	6⅛	6¼	5⅞	6.20	-	7.75
week ago	6¼	6⅛	6¼	6¼	5⅞	6.20	-	7.75
Germany	5.98	6.05	5.80	5.60	5.28	6.75	5.75	6.00
week ago	6.50	6.05	5.85	5.65	5.36	6.75	5.75	6.00
Ireland	6	5 15/16	6 1/16	5⅞	5 11/16	-	-	6.75
week ago	6	5 15/16	5¾	5 11/16	5¼	-	-	6.75
Italy	8 15/16	8¼	8¼	8⅛	8	-	8.00	8.92
week ago	9⅛	8¼	8⅛	8⅛	8	-	8.00	8.92
Netherlands	5.53	5.48	5.30	5.09	4.90	-	5.25	-
week ago	5.56	5.48	5.25	5.02	4.86	-	5.25	-
Switzerland	4⅛	4¼	4⅛	3 15/16	3 15/16	6.625	4.00	-
week ago	4¼	4¼	4⅛	4	3 15/16	6.625	4.00	-
US	3¼	3¼	3¼	3⅝	4	-	3.00	-
week ago	3¼	3¼	3¼	3¼	3⅝	-	3.00	-
Japan	2⅛	2¼	2¼	2⅛	2⅛	-	1.75	-
week ago	2⅛	2¼	2¼	2¼	2¼	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3¼	3¼	3⅝	3 15/16	-	-	-
week ago	-	3⅛	3¼	3½	3 11/16	-	-	-
US Dollar CDs	-	3.27	3.38	3.51	3.82	-	-	-
week ago	-	3.27	3.08	3.17	3.44	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3½	3⅝	-	-	-
week ago	-	3⅝	3⅞	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅞ - 6¾	6¾ - 6⅝	6 13/16 - 6 11/16	6⅝ - 6½	6½ - 6⅜	6¼ - 6⅛
Danish Krone	6½ - 6	6⅞ - 6⅜	6⅝ - 6¼	6⅜ - 6⅛	6 - 5¾	6 - 5¾
D-Mark	6 1/16 - 5 15/16	6⅛ - 6	6⅛ - 6	5 15/16 - 5 13/16	5¾ - 5⅝	5 7/16 - 5 5/16
Dutch Guilder	5⅝ - 5½	5⅝ - 5½	5½ - 5⅜	5 7/16 - 5 5/16	5⅛ - 5	4 15/16 - 4 13/16
French Franc	6½ - 6⅜	6½ - 6⅜	6½ - 6⅜	6⅜ - 6¼	6 3/16 - 6 1/16	5 15/16 - 5 13/16
Portuguese Esc.	9¼ - 9	9¼ - 9	10⅛ - 9 13/16	10⅛ - 9⅞	10 - 9¾	10 - 9½
Spanish Peseta	9¼ - 8⅞	9¼ - 8 15/16	9⅛ - 8 13/16	8 15/16 - 8¾	8⅝ - 8 7/16	8⅛ - 8
Sterling	5⅜ - 5⅛	5⅝ - 5⅜	5 7/16 - 5⅜	5½ - 5⅜	5 7/16 - 5 5/16	5 7/16 - 5 5/16
Swiss Franc	4½ - 4¼	4½ - 4¼	4⅜ - 4¼	4⅛ - 4	4 - 3⅞	3 15/16 - 3 13/16
Can. Dollar	3⅝ - 3⅜	3¾ - 3½	3¾ - 3⅝	3⅞ - 3¾	4 - 3⅞	4⅜ - 4¼
US Dollar	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3 11/16 - 3 9/16	4⅛ - 3 15/16
Italian Lira	10 - 8	8⅝ - 8⅛	8⅛ - 7⅞	8⅜ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞
Yen	2⅜ - 2¼	2 5/16 - 2¼	2 5/16 - 2¼	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.88	93.91	-0.01	93.94	93.87	32,308	119,925
Jun	94.38	94.40	-0.05	94.43	94.37	34,018	73,558
Sep	94.76	94.78	-0.03	94.79	94.70	17,655	44,012
Dec	95.00	94.99	-0.07	95.01	94.93	11,147	26,611

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.41	96.39	-0.15	96.42	96.40	358	5603
Jun	96.08	96.04	-0.20	96.08	96.03	230	4306
Sep	95.76	95.71	-0.22	95.76	95.74	224	1514
Dec	95.35	95.30	-0.26	95.35	95.34	81	738

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.26	94.30	-0.02	94.33	94.26	39522	223615
Jun	94.69	94.76	-	94.78	94.68	51213	199120
Sep	95.01	95.05	-0.02	95.09	94.99	39205	158564
Dec	95.19	95.21	-0.04	95.22	95.14	30546	122568

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.64	91.68	-0.03	91.71	91.64	6023	41177
Jun	92.20	92.24	-0.02	92.25	92.18	4407	40726
Sep	92.60	92.65	-0.01	92.65	92.59	2613	22895
Dec	92.85	92.90	-	92.90	92.83	1128	14515

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.00	95.98	-0.06	96.02	95.97	6354	32805
Jun	96.30	96.27	-0.07	96.30	96.25	3405	19298
Sep	96.42	96.41	-0.08	96.42	96.40	111	6301
Dec	96.42	96.41	-0.08	96.42	96.42	38	2297

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.81	93.81	-0.04	93.83	93.80	1010	12756
Jun	94.35	94.33	-0.06	94.35	94.31	669	10279
Sep	94.72	94.72	-0.05	94.72	94.69	311	8680
Dec	94.98	94.96	-0.07	94.98	94.93	353	6199

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.39	96.38	-0.01	96.43	96.38	290,200	402,791
Jun	96.05	96.03	-0.01	96.08	96.02	475,545	427,874
Sep	95.72	95.70	-0.01	95.77	95.69	342,489	337,875
Dec	95.35	95.29	-0.03	95.37	95.28	140,934	235,881

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	-	96.68	-	96.71	96.66	8,497	19,262
Jun	96.41	96.39	-0.01	96.42	96.39	7,098	16,522
Sep	96.10	96.09	+0.01	96.11	96.09	709	3,654

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9425	0.10	0.54	0.83	0.05	0.03	0.03
9450	0.03	0.32	0.60	0.23	0.06	0.05
9475	0.01	0.16	0.40	0.46	0.15	0.10

Est. vol, total, Calls 7103 Puts 4481. Previous day's open int., Calls 213499 Puts 148007

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.24	0.54	0.66	0.01	0.02	0.02
9600	0.05	0.31	0.46	0.07	0.04	0.05
9625	0.03	0.12	0.27	0.30	0.10	0.11

Est. vol. total, Calls 0 Puts 250. Previous day's open int., Calls 1869 Puts 3235

UK INTEREST RATES

LONDON MONEY RATES

Feb 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅜ - 3	5⅝ - 5⅛	5½ - 5¼	5½ - 5⅜	5 7/16 - 5 5/16	5 7/16 - 5 5/16
Sterling CDs	-	-	5 13/32 - 5 11/32	5 13/32 - 5 11/32	5 13/32 - 5 11/32	5 13/32 - 5 7/32
Treasury Bills	-	-	5⅜ - 5¼	5 - 4 15/16	-	-
Bank Bills	-	-	5 7/32 - 5 5/32	5 3/16 - 5 1/16	5 1/16 - 4 31/32	-
Local authority deps.	5 7/16 - 4 15/16	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 7/16 - 5 5/16
Discount market deps.	5¾ - 3¼	5 7/16 - 5 5/16	-	-	-	-

UK clearing bank base lending rate 5½ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1¾	4¼	4	3¾	3¾

Certs of Tax dep. under £100,000 is 2¼pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.9320pc. ECGD fixed rate Stg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate 5½pc from Feb 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.56	94.59	-0.02	94.61	94.56	18464	101700
Jun	94.71	94.71	-0.05	94.72	94.66	33768	118146
Sep	94.72	94.71	-0.07	94.72	94.66	17545	58097
Dec	94.67	94.64	-0.10	94.68	94.61	21018	74553

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9450	0.13	0.30	0.37	0.04	0.09	0.16
9475	0.03	0.14	0.22	0.19	0.18	0.26
9500	0.01	0.05	0.12	0.42	0.35	0.41

Est. vol. total, Calls 6659 Puts 1662. Previous day's open int., Calls 155411 Puts 139987

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williman Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West.	6.5
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai.	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5		
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5		
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	* Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 7 / Sch)

BELGIUM/LUXEMBOURG (Feb 7 / Frs.)

DENMARK (Feb 7 / Kr)

FINLAND (Feb 7 / Mks)

FRANCE (Feb 7 / Frs.)

GERMANY (Feb 7 / Dm.)

ITALY (Feb 7 / Lira)

NETHERLANDS (Feb 7 / Fls.)

NORWAY (Feb 7 / Kroner)

SPAIN (Feb 7 / Pts.)

SWEDEN (Feb 7 / Kronor)

SWITZERLAND (Feb 7 / Frs.)

PACIFIC

JAPAN (Feb 7 / Yen)

AUSTRALIA (Feb 7 / Aus$)

HONG KONG (Feb 7 / H.K.$)

MALAYSIA (Feb 7 / MYR)

SINGAPORE (Feb 7 / S$)

NORTH AMERICA

CANADA

TORONTO (Feb 7 / Can $)

4 pm close

MONTREAL (Feb 7 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Feb 7 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, February 7, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	9.6m	1,050	-10	Toshiba	3.5m	725	
Nitsuko	7.6m	1,480	+20	Itochu	3.2m	680	+1
Nippon Steel	6.6m	343	-3	Kawasaki Steel	2.9m	349	-3
Taiyo Yuden	4.5m	1,070	+20	Sumitomo Elec	2.8m	1,620	+20
Mitsubishi Hvy	3.8m	703	-6	Nomura Sec	2.6m	2,260	-10

INDICES

Eurotrack 100(26/10/90)	1495.54	1529.77	1527.17	1540.19 31/1/94	1083.82 13/1/93
Euro Top-100 (26/6/90)	1276.71	1301.34	1302.26	1311.01 2/2/94	862.73 13/1/93
JCapelDrgns (31/12/88)	(u)	384.09	376.65	385.19 5/1/94	188.92 4/1/93
Barings Emerg.(7/1/92)	(u)	181.80	182.10	182.35 2/2/94	99.31 4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Feb	2276.0	2301.0	-38.0	2303.0	2267.5	34,449	21,968
Mar	2288.5	2312.5	-38.0	2314.5	2279.0	3,052	44,336
Jun	2287.0	2310.5	-37.5	2304.0	2287.0	3	2,512

Open interest figures for previous day.

... Base values of all indices are 100 except Australia All Ordinary and ... Euro Top-100, ISEQ Overall, Toronto Comp./Metals & ... NYSE All Common - 50 and Standard and Poor's - 10. §§ ... (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 7 - 2095.11 -46.79.

US INDICES

Dow Jones	Feb 4	Feb 3	Feb 2	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3871.42	3967.66	3975.54	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	105.04	105.21	105.32	109.77 (18/10/93)	103.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1826.32	1852.58	1862.29	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	220.21	224.23	225.15	256.46 (31/8/93)	217.11 (24/1/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3979.76 (3995.52) Low 3857.83 (3932.77) (Theoretical♦)
Day's high 3968.51 (3975.54) Low 3870.01 (3946.53) (Actual♦)

Standard and Poors	Feb 4	Feb 3	Feb 2	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	469.81	480.71	482.00	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials	547.56	580.00	580.59	580.85 (2/2/94)	498.48 (26/4/93)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	44.45	45.76	46.25	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.21	267.18	267.71	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	478.29	487.18	487.89	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	777.28	797.79	798.57	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Jan 28	Jan 21	Jan 14	Year ago
Dow Jones Ind. Div. Yield	2.57	2.59	2.62	3.13
	Feb 2	Jan 26	Jan 19	Year ago
S & P Ind. Div. yield	2.28	2.35	2.34	2.46
S & P Ind. P/E ratio	28.61	27.99	28.13	27.44

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	468.95	467.70	-1.25	469.60	467.60	103,670	185,476
Jun	469.20	468.80	-1.20	469.20	468.80	2,050	6,345
Sep	471.30	471.00	-0.30	471.70	471.00	61	912

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Stone Cont	8,427,400	15¼	-⅝
Telefonos	6,247,400	73	-2⅛
Gen Motors	4,788,800	61⅛	-1⅞
RJR Nabisco	4,115,200	7⅛	-⅜
Citicorp	3,800,600	40½	-2
Pepsico	3,784,100	38⅛	-1⅞
Blockbuster	3,670,000	25⅞	-1⅛
Philip Morris	3,551,400	59⅝	-¼
Wal-Mart	3,501,400	27⅝	-¼
Unisys Corp	3,382,300	14¼	-⅛

■ TRADING ACTIVITY

● Volume (million)	Feb 4	Feb 3	Feb 2
New York SE	375.883	318.004	328.786
Amex	23.805	20.541	23.940
NASDAQ	(u)	391.623	334.955
NYSE			
Issues Traded	2,744	2,746	2,733
Rises	285	919	1,268
Falls	2,042	1,182	843
Unchanged	407	645	622
New Highs	97	137	161
New Lows	50	19	14

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.
♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close February 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng Prev. Close
16⅝	11½	AAR	0.48	3.1	518	444	15⅝	15⅜	15½	-¼
29⅞	12¾	A L Labs A	0.18	1.2	36	282	16⅛	15½	15½	-½
67¼	54⅝	AMP	1.68	2.7	21	1830	61⅞	60⅝	61⅜	+½
72¾	55½	AMR			33	8581	69¾	68¾	69	-⅞
5	1¾	ARX			18	575	4⅝	4⅜	4½	
56⅛	29⅞	ASA	2.00	4.1	32	1549	50¾	48¾	48¾	-1⅞
30¾	22⅝	AbbotL	0.68	2.3	17	8688	29⅝	28½	29½	+¾
13	8¾	Abitibi Pr	0.50	4.0	8	92	12⅝	12⅛	12½	+⅛
15⅝	8¼	Acptncain			23	35	12⅝	12⅜	12½	-¼
36	25½	ACE Ltd	0.40	1.4	5	514	27⅞	27⅜	27¾	
12⅝	10¾	ACM Gvt In x	1.08	8.9		407	12⅜	12¼	12¼	-⅛
10⅛	9⅛	ACM GvOpp x	0.80	8.1		77	10	9⅞	9⅞	
10⅝	8¾	ACM Gvt Sp x	0.96	9.4		609	10¼	10⅛	10¼	-⅛
12¾	10½	ACM Gvt St x	1.09	9.3		831	11¾	11⅝	11¾	
12¼	9⅝	ACM Man x	1.08	9.5		619	11½	11⅜	11⅜	
9⅞	8⅝	ACM Mangd x	0.72	8.0		164	9	8⅞	9	
12⅞	7¾	AcmeClv	0.44	4.5	12	116	9⅞	9½	9⅞	+⅜
11⅜	6⅞	Acme Elect			97	41	8¼	8⅛	8¼	-⅛
27⅝	18⅜	Acordia	0.44	1.9	13	2	23¼	23¼	23¼	-¼
9¼	6⅝	Actava	0.36	4.4	18	282	8⅛	7⅞	8⅛	+⅛
16	10⅜	Acuson			51	817	11½	11¼	11⅜	-⅜
21¾	17⅝	Adams Expr	0.38	2.2	0	188	18⅛	18	18⅛	
66¼	45½	Adv Micro	3.00	5.9		11	50¾	50½	50¾	+⅜
32¾	16¾	AdvMic	3.00	14.7	8	6371	20½	20¼	20⅜	-⅛
8½	5½	Advest Grp	0.16	2.4	10	125	6⅞	6⅝	6¾	
24¾	14¾	Advo Inc	0.08	0.4	121	76	18½	18	18¼	-⅜
58½	41⅛	Aegon ADR	1.23	2.3	11	134	54¼	53¾	54⅛	+⅝

1993/94 High	Low	Stock	Div.	Yld. %	P/E
6	4½	BadtPr	0.28	4.7	3
69	49⅝	BellAtl	2.68	5.0	16
19¾	8⅞	Bell In	0.40	2.2	16
63¾	50⅛	BellSth	2.76	4.8	27
53	38¾	Belo A	0.60	1.2	23
27⅞	19⅞	Bemis	0.54	2.3	26
86	54	Benef 4.3P	4.30	6.3	
40⅞	31¼	Benef	1.52	3.9	12
32¼	18¼	Benetton A	0.42	1.3	18
1⅛	⅜	Benguet B	0.04	4.3	11
14¼	8⅛	Berry Petr	0.40	4.3	88
62⅞	21½	Best Buy			31
28⅞	25¼	Beth St 2	2.50	9.3	
57⅜	50¼	Bethlem Pf	5.00	9.2	
24⅛	12⅞	BethSt	0.40	1.7	7
62⅞	40	Betz L	1.40	2.8	24
14¾	9¼	BevEnt			86
37⅝	15¾	Biocraft	0.10	0.6	27
31	20¾	Birmingm S	0.40	1.5	60
22¼	16⅝	BIDeck	0.40	2.0	27
28¼	20¾	Black H PL	1.32	6.1	12
11	10⅛	BlckrckAdv	0.82	8.1	
8½	7¾	Blckrcklnc	0.85	10.0	
10½	9⅞	BlckrckTgt	0.80	8.0	
55	31⅞	Block	1.12	2.6	25
34¼	15⅞	Blockb	0.10	0.4	23
8⅝	7⅝	Blue Chip	0.80	10.0	

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng Prev. Close
[illegible]	[illegible]	Barnes Grp	1.40	4.5	37	247	31½	31	31⅛	+⅛
50⅞	37⅞	BarnBk	1.44	3.5	10	5064	41	40⅜	41	+⅛
12½	4⅞	BattlMt	0.05	0.5	108	4211	11⅛	10½	10⅝	-⅜
57½	43	Bausch	0.88	1.7	19	3402	52	50¾	51⅞	-⅜
32¾	20	Baxter	1.00	4.3	23	7018	23⅛	22½	23	+¼
32	24⅞	Bay St Gas	1.42	5.1	16	38	28	27⅝	27⅞	-⅛
25	21⅝	Bd Tr 1638	1.72	7.9		119	21⅞	21⅝	21¾	+⅛
26	15	Bear Stns	0.60	2.6	6	3335	23⅞	22½	23⅜	+½
50¼	45½	BearStPfA	2.75	5.5		2	49⅝	49⅝	49⅝	
33	20½	Bearings	0.64	2.1	21	59	30¾	29¾	30¼	-¼
28⅜	19⅝	Beckman In	0.40	1.5	22	626	27½	26⅝	26⅞	-1
40¾	32⅝	BectnD	0.74	2.1	12	1173	36⅛	35⅝	35¾	-½

Continued on next page

4 pm close February 7

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
28½	16⅞	Saleg'd Sc			13	89	28½	27⅞	28⅜	+⅜
24¾	13⅛	SlbyKl	0.38	2.2	25	1958	16¾	16¼	16⅜	-⅛
22¼	10⅞	Safeway			24	653	20⅛	19¾	20⅛	+⅛
5¼	2	SafewayW98				105	4½	4⅜	4½	+⅛
55½	37½	StJoePaper	0.20	0.4	282	97	53⅞	52½	53¾	+⅛
37⅞	28	StJoeLP	1.80	6.2	14	24	29½	29⅛	29¼	-⅜
98	75	StPaul	3.00	3.6	8	1902	85½	83	83¼	-2⅜
11⅜	6⅛	Salant Crp			9	40	7¾	7¾	7¾	
75¾	39⅞	Sallie Mae	1.40	3.0	9	4597	47¼	46	46⅞	+⅜
14⅛	12⅝	Salomon Br x	0.55	4.2		401	13¼	13⅛	13¼	
51⅞	34	Salomn	0.64	1.3	6	3414	48⅝	47⅝	48⅜	+½
27¾	23	SnDgGE	1.48	6.4	12	772	23⅜	d22⅞	23¼	+⅛
11⅞	8⅜	SantaFeERs	0.16	1.8	291	2469	9⅛	8¾	8¾	-¼
40¾	35¾	SantaFePac	2.80	7.1	18	69	39½	39¼	39½	+½
26¼	12¾	SanFeP	0.10	0.4	13	6694	24¼	23⅝	23¾	
31⅛	21	SaraLee	0.64	3.0	14	15060	21⅝	d21	21¼	-⅛
52¼	40⅛	Scana Corp	2.74	5.8	12	225	47½	47	47⅜	
25¾	18¾	Scecrp	1.42	7.4	13	5014	19¼	18⅞	19¼	+¼
40½	23⅞	SchererRP			28	437	38	38⅜	38	+⅜
77	51¾	SchPl	1.80	2.9	14	4157	62¾	62⅛	62⅜	+¼
68⅞	54⅝	Schlmb	1.20	2.1	24	3543	58⅛	58⅛	58½	-⅛
38⅝	16½	Schwab(C)	0.28	1.0	13	4156	27¾	26⅞	27⅝	+¼
8⅜	5⅝	Schwitzer			117	45	8¼	8	8¼	
30⅞	17¾	SciAtl	0.12	0.4	55	4033	28⅜	27¾	27⅞	-¾
15	9⅛	Scotman	0.10	0.7	14	5	14⅞	14¾	14⅞	
46¾	31	ScottP	0.80	1.8	11	1911	45	44½	44⅞	+¼
26⅝	14¼	ScuddrNAsF	0.27	1.0		474	26½	25	26¼	+⅝
12⅛	7½	ScuddrNEuF	0.16	1.4		1188	11⅜	10⅝	11⅜	+⅜
31½	16¾	SeaCnB	0.70	4.1	8	10	17⅛	17	17⅛	
17	15	SeaC1.4625	1.46	9.1		2	16	16	16	
31	24½	Seagrm	0.56	1.9	37	3034	29½	28⅞	29¼	+⅛
32⅞	15	Seagull En			35	386	27	26⅝	26⅞	-½
32	21	Sealed Air			22	238	29⅞	29⅝	29⅝	-¼
60⅛	42⅜	SearsR	1.60	3.1	30	16843	51¼	50½	51	+⅜
13¾	12⅝	Seligm Sel	0.84	6.3		93	13⅜	13¼	13¼	-⅛
35⅝	20	Sensormat	0.22	0.6	35	4804	34½	32½	34⅜	+1⅛
38½	18	SequaA	0.60	1.6	8	77	u37½	36⅛	37½	+1⅜
36¼	17¾	SequaB	0.50	1.3	20	23	u37½	36⅛	37½	+⅞
26½	17⅞	ServCp	0.42	1.6	21	568	26⅛	25½	26	+¼
31	17¾	SvMstr	0.92	3.4	14	589	27½	26⅜	27⅜	-¼
25½	14⅛	Shaw Ind	0.22	1.2	22	6229	18⅞	18½	18¾	-¼
28⅜	17⅞	Shawmut Nt	0.80	3.7	19	6830	21¾	21⅜	21⅝	+¼
14⅞	10⅛	Shelby Wll	0.28	2.0	30	4	13⅞	13⅞	13⅞	-⅛
68⅝	48	ShellTr	2.37	3.7	20	688	63¾	62¾	63¾	+¼
37½	26⅞	SherW	0.50	1.5	18	1553	34⅛	33⅝	33¾	-½
25⅝	16½	Shoneys			15	1081	23⅛	22½	22⅝	-⅛
24⅜	15⅜	Showboat	0.10	0.6	20	944	18¼	17⅞	18	-⅝
22¼	18⅝	Sierra Pac	1.12	5.9	11	205	19⅜	19	19⅛	-⅜
14⅞	8⅜	SignalApp			3	107	9½	8¾	9⅛	
38⅝	21½	Signet Bnk	1.00	2.7	13	1518	38	36⅝	37⅝	+⅞
28	11¾	SiliconGr			32	9060	25	24⅛	24¾	-¼
15½	10⅞	Sizeler	1.08	8.7	19	86	12½	12⅛	12⅜	+⅛
10⅞	7	Sizzler	0.16	2.0	58	168	8¼	8	8⅛	
23	16⅛	Skyline	0.48	2.5	18	203	19½	19⅛	19½	-¼
4¼	3	SL Inds	0.06	1.5	14	113	4	3¾	3⅞	
7¼	3⅞	SmithCoro	0.20	3.3	76	191	6⅛	5⅝	6⅛	+¼
11½	7¾	Smithln			31	1546	9⅝	9⅜	9⅜	
38⅝	27⅝	SKBchA	0.94	3.0	15	36	31	30⅝	31	+¼
34⅝	25¼	SKBEqU	0.94	3.3		5183	28⅞	28⅜	28¾	-⅛
37¼	19	Smiths Fd	0.52	2.2	15	867	23½	22⅝	23¼	-⅛
32⅞	20¼	Smucker J	0.46	1.9	19	441	24⅝	24	24⅝	
44½	30½	SnpOnT	1.08	2.6	24	1154	42½	42	42	-⅞
23	10	Snyder Oil	0.24	1.3	23	348	19	18⅝	18⅞	
32	16½	Solectron			31	2606	29¾	29	29¾	+⅛
36½	21¾	Sonat	1.08	3.4	10	1706	32	31½	32	+½
59¾	32	Sony	0.47	0.8	97	1203	58⅜	57⅜	58¼	+1¼
17¼	10¾	Sothebys	0.24	1.4	83	2012	16⅝	16¼	16⅝	+⅛
49⅛	42⅝	Source Cap	3.60	8.1		27	44⅞	44¼	44½	-⅝
51½	35⅝	SouthCar5%	2.50	6.2		z100	40⅛	40⅛	40⅛	
27½	21¼	StnJersInd	1.44	6.3	14	85	23½	23	23	-⅝
28	9⅝	Sthdwn	0.50	1.9	86	2279	26¼	25¾	26	-⅜
24⅞	19	SCalWt	1.20	5.9	10	37	20¼	19⅞	20¼	+¼
23½	18½	SthNatCp	0.68	3.6	8	165	19	18⅝	18⅞	-⅜
[illegible]7¼	37	SthnCo	2.36	5.7	13	4387	41⅝	41¼	41⅝	
[illegible]5½	30⅜	SouthnIGE	1.65	5.4	12	142	30¾	d30⅜	30⅜	-¼
[illegible]8⅜	33½	SNETel	1.76	5.3	49	583	33½	d33⅛	33½	
39	18¼	SWAir	0.04	0.1	35	4199	37⅝	36½	37	-⅜
[illegible]9⅜	13⅜	SouthWGas	0.78	4.2	21	276	18⅝	18⅜	18½	-¼
[illegible]1⅞	12	SouthWEngy	0.24	1.4	17	174	17⅞	17¼	17¾	-⅛
[illegible]3½	29	SouthWnPSv	2.20	7.4	11	261	29¾	29⅛	29⅝	+⅛
[illegible]2¾	7⅞	Spain Fund	0.46	3.8		591	12	10⅞	12	+1
7½	5	Sparton Cp			11	163	6¾	6⅝	6¾	
[illegible]7⅝	15½	SphereD	0.12	0.7		125	16½	16⅜	16⅜	-⅜
49	33½	Spring	1.20	3.2	14	71	37¼	36½	37⅛	+⅜
[illegible]0¼	25½	Sprint	1.00	2.7	28	6428	37½	36⅛	37⅜	+1
[illegible]8⅞	15	SPX	0.40	2.5	20	137	16½	15¾	16	-¼
[illegible]2⅞	13	Std Comm	0.40	2.7	10	188	15⅝	15	15	-⅞
[illegible]6⅞	13⅛	Std Motor	0.32	1.3	17	385	23¾	22¾	23¾	+¾
[illegible]2⅞	6¼	StandPacLt	0.12	1.0	202	2321	12⅜	11⅞	12⅛	-⅝
[illegible]8¾	25¾	StdPrd	0.64	1.7	17	205	37⅜	36¾	37	-⅝
[illegible]7⅞	18½	Standex	0.52	2.0	16	99	26½	26⅜	26½	-⅛
[illegible]4¾	25⅞	Stanhome	1.00	3.0	30	166	34	33	33¾	+½
[illegible]7⅞	37⅞	StnWk	1.36	3.1	21	428	43⅞	43⅜	43⅝	-⅛
[illegible]3⅛	22¾	Starrett	0.68	2.7	22	13	25	24⅞	25	-⅛
[illegible]2¼	10⅝	State Mud	0.88	8.1		158	10⅞	d10⅝	10⅞	+⅛
[illegible]1⅛	18½	StdFedBk	0.60	2.1	7	383	28⅜	27½	28⅛	+⅛
[illegible]⅛	6⅞	SterlgBcrp	0.20	2.8	7	63	7⅜	7¼	7¼	-¼
5	3⅛	SterlgChem	0.08	1.7	28	660	4¾	4½	4⅝	-⅛
[illegible]⅝	17⅝	SterlgSwre			22	406	33¾	32⅜	33⅝	+1
[illegible]¼	6½	Stifel Fin	0.12	1.2	5	50	10	9¾	10	+⅛
[illegible]⅜	21¼	Stone&Web	0.60	2.0	165	108	u30¾	30¼	30¾	+⅜
[illegible]½	6½	Stone Cont	0.71	4.7	3	13831	15¼	14¾	15⅛	-⅜
[illegible]¼	16¾	Stop Shop			20	647	23⅞	22⅞	23¼	+⅜
[illegible]⅞	8⅞	StrEqu	0.84	5.7	16	1229	14⅝	14½	14⅝	
43	18	StrTch			12	6092	37⅜	36⅛	36¾	+⅝
[illegible]¼	20¼	Stratus			42	752	30⅛	28⅞	30	+⅞
[illegible]⅛	12⅛	StrideRite	0.38	2.3	13	1604	16⅝	16⅛	16⅜	-¼
32	19¼	Sturm Rger	1.20	4.4	15	202	27⅝	26⅞	27⅜	+⅛
56	3⅜	Suave Shoe	0.30	8.6	1	20	3½	3½	3½	
[illegible]⅞	9¾	Sun Dis A	1.10	10.6	10	74	10⅜	10¼	10⅜	
[illegible]⅞	3	Sun Dis B	0.11	2.6	3	233	4⅜	4⅛	4¼	+⅛
[illegible]⅛	6	Sun Energy	0.32	4.7	45	37	6⅞	6¾	6⅞	
[illegible]½	27¼	Sunamr	0.40	1.0	13	1084	39¼	38⅜	39¼	+¾
[illegible]⅛	35	Sndstr	1.20	2.7	16	688	44½	43½	44⅜	-⅜
[illegible]⅜	1¼	SunshineP	1.19	13.4		114	9	8⅝	8⅞	-¼
[illegible]⅝	7/16	SunshM				12912	2⅝	2½	2⅝	

NASDAQ NATIONAL MARKET

4 pm close February 7

AMEX COMPOSITE PRICES

4 pm close February 7

AMERICA

Dow rallies as buyers return at lower levels

Wall Street

US stocks rallied as investors failed to follow through on Friday's sell-off, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 22.23 ahead at 3,893.65, aided by bargain hunting and a wave of program trading. The more broadly based Standard & Poor's 500 was 1.05 higher at 470.86, even though declining issues outnumbered advances, 1,288 to 808. Secondary markets showed modest declines, with the American SE composite 2.36 down at 475.93, and the Nasdaq composite off 1.11 at 776.17.

Volume on the NYSE remained very heavy, with 215m shares traded by 1 pm.

Investors began the day cautiously after Friday's 96-point rout. Overseas activity brought a measure of encouragement, suggesting that the downturn in equities, triggered by the first tightening of US monetary policy in five years, was not picking up momentum.

The direction of US Treasury market was unfavourable, however. Prices across the maturity range declined as traders prepared for an influx of new supply later this week and the possibility of more bad inflation news on Friday, when the Commerce Department unveils January's producer price index.

Amid these crosscurrents, early activity was choppy, with the Dow bellwether index swinging from as many as 10 points down to 12 points ahead. Near midday, however, relief over the Dow's resilience began to dominate sentiment, and bargain hunters piled into some pivotal stocks.

Many of the cyclical issues contributing to the market's recent rally regained their stride. Alcoa climbed $1⅝ to $77⅞, International Paper added $1¼ to $76⅝ and Bethlehem Steel $⅜ at $23⅞. But 3M slipped $⅛ to $104⅞.

Automobile stocks were mixed, with General Motors gaining $1⅛ to $62⅞, Chrysler shedding $⅝ to $60⅞ and Ford unchanged at $68.

Financial and banking stocks, which were among the hardest hit by the Fed's surprise announcement, opened weaker but firmed up as the morning progressed. JP Morgan was $⅜ higher at $69¼ and Bankers Trust up $⅛ at $82½. Merrill Lynch, the brokerage house, edged $⅝ up to $41⅞, while Morgan Stanley inched $¼ forward to $74⅞.

On the Nasdaq, their session lows. The reversal was led by Apple Computer was up $2¼ at $36.

Share prices in Buenos Aires closed 3.6 per cent down yesterday, wiping out nearly all the gains made last week, *writes John Barham.* The Merval index finished at 680.71. Investors were unnerved by Wall Street's fall on Friday and the government's weekend announcement that it intends to remove tax privileges for the financial sector. This would make income on shares, bonds and bank deposits liable to a 0.5 per cent tax. Shares have not suffered a similar reverse since February 1993, when prices fell 6 per cent.

Canada

Toronto was mixed at midday as gains in financial services and conglomerates offset losses in precious metals and communications. The TSE 300 index was up 9.79 at 4,456.98 in volume of 37.7m shares valued at C$470.9m.

SOUTH AFRICA

Johannesburg finished near to the day's lows, although selling was limited and some late bargain hunting was seen. Golds shed 71 to 1,944, industrials 83 to 5,739 and the overall index 88 to 4,933. De Beers dropped R4.25 to R109.

EUROPE

Senior bourses follow the transatlantic trend

Senior bourses found it difficult to detach from Wall Street after an initial fall on Friday's transatlantic losses. Their task was made no easier by conflicting advice from investment strategists, *writes Our Markets Staff*.

FRANKFURT followed the Dow, the Dax index closing the session 58.85, or 2.75 per cent lower at 2,079.4, dropping another 10 points after hours and closing the post bourse with a partial recovery and the Ibis-indicated Dax at 2,095.11.

Turnover rose from DM9.1bn to DM10.8bn. Financials lost out on interest rates, Dresdner Bank falling DM19.80, or 4.7 per cent to DM405.20; but Deutsche Bank recovered from DM792.50, down DM26.50 at the close to DM806 at the conclusion of the post-bourse. BMW, still supported by the Rover deal, actually managed a token rise of DM3.50 to DM770 at the end of the day.

PARIS dipped sharply at the opening but found its feet later on with brokers reporting that the selling was led by retail investors, as institutions remained largely absent.

The CAC-40 index finished down 42.11 at 2,287.06, off the low of 2,258.60.

Traders remained unperturbed by the rise in US interest rates, and noted that the Dow's resilience at yesterday's opening provided a support to trading in the afternoon.

Promodès, the retailing group, stood out with a gain of FFr17 to FFr1,135, almost alone among CAC-40 stocks in showing a rise. James Capel put out a hold note yesterday, following the company's recent turnover data which showed a rise of some 7 per cent, and ahead of the 1993 profit figures due early next month. Capel expects the latter to show an increase of 26 per cent, leading to an eps of FFr40.30.

ZURICH saw heavy selling by traders and speculators while institutional investors were largely inactive. The SMI index shed 76.8 to 3,089.8 as the day's events prompted some speculation that the market, which has risen steadily in recent months, could at last be facing a short-term correction of 5 per cent or more.

Among banks UBS lost SFr24 to SFr1,489, SBC shed SFr11 to SFr514 and CS Holding dipped SFr21 to SFr739.

AMSTERDAM lost ground but closed off the session low as some bargain hunting emerged. The AEX index finished off 5.30 at 205.60.

KLM featured with a less than average 50 cents fall to Fl 51.50. Investors have become more positive about the group recently while Kleinwort Benson reiterated its buy recommendation at the end of last week.

MILAN's loss was limited to 1 per cent after some short covering towards the end of the day and the Comit index fell 6.82 to 664.88.

BCI, due to be privatised later this month, rose another L51 to L5,291. Falck, the steelmaker, climbed L514 or 10 per cent to L5,633, after Friday's announcement that a shareholders syndicate, formed in December 1991, would not continue after June.

Alitalia soared L223 or 18.6 per cent to L1,419 on recent management change and on talks with other airlines.

MADRID saw heavy selling and the general index closed 7.30 lower at 349.17 in turnover up from Pta43.8bn to Pta59bn.

In a weak construction sector, Huarte lost Pta145, or 6.1 per cent at Pta2,215. In banks, Santander, which said over the weekend that it was considering a bid for the troubled Banesto, fell Pta130 to Pta7,190. Banesto itself ended Pta 54, or 6.75 per cent down at Pta750.

BRUSSELS dropped by just under 3 per cent at worst, but a mere 15 basis points cut in base rate stopped the slide in its tracks. After a flurry of Bel-20 basket buying near the close the index recovered to end only 1.64 down at 1,527.11.

VIENNA picked up from the day's lows, limiting the sesion's loss to 1.1 per cent in low turnover as investors awaited the outcome of last night's Wall Street performance. The ATX index finished 13.43 lower at 1,192.64.

HELSINKI suffered in the banking and forestry sectors, down 2 per cent and 1 per cent respectively, as the Hex index lost 72.6 to 1,899.3. **COPENHAGEN** eased in good turnover, while Unidanmark slipped DKr10 to DKr229 in spite of reporting its first profit since its formation in 1990. The KFX index lost 1.31 to 115.00.

WARSAW bounced 8.5 per cent higher as local investors, with few other investment opportunities, returned to the market after the sharp losses of the previous three sessions. The WIG index added 1,266 to 16,137.5.

Written and edited by William Cochrane, John Pitt and Michael Morgan

Europe – day's move

Finland	-3.7%
Oslo	-2.8%
Germany	-2.7%
Sweden	-2.7%
Switzerland	-2.4%
France	-1.8%
Denmark	-1.1%
Belgium	-0.1%

FT-SE Actuaries Share Indices

Feb 7							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1499.93	1499.03	1497.82	1497.65	1494.35	1494.75	1496.45	1495.54
FT-SE Eurotrack 200	1563.22	1560.38	1556.72	1555.34	1555.04	1558.19	1559.42	1557.75

	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31
FT-SE Eurotrack 100	1529.77	1527.17	1540.13	1532.83	1540.19
FT-SE Eurotrack 200	1592.27	1594.74	1607.10	1598.18	1604.28

Base value 1000 (26/10/90) High/day: 100 - 1500.97, 200 - 1563.93 Low/day: 100 - 1491.34 200 - 1551.77

ASIA PACIFIC

Falls in region vary as Japan worries about tax plans

Tokyo

Japanese investors concentrated on the lack of agreement within the coalition government, yet again, on how to finance the planned income tax cut which is the centrepiece of its economic stimulus package, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 287.03, or 1.4 per cent, to 20,014.40 as the Topix index of all first section stocks fell 13.36 to 1,601.44.

Traders acknowledged that Friday's fall on Wall Street due to the rise in the Fed Funds rate was also discouraging some investors since foreigners, especially US fund managers, were among active buyers of Japanese stocks during the past few weeks.

The Nikkei opened at the day's high of 20,254.93 and fell on arbitrage led selling, hitting a low of 20,012.20 in the early afternoon. Traders were cheered by support at the 20,000 level, but some of them feared that it could be breached if the government further delays its economic support package.

Volume came to 300m shares, against 377m. Activity dropped sharply in the afternoon session as investors retreated to the sidelines due to the political situation. Declines outscored advances by 746 to 293, with 130 issues unchanged. In London, however, the ISE/Nikkei 50 index improved by 3.26 to 1,328.33.

Some high-technology issues were firmer on the multimedia theme. Sony and Matsushita Electric Industrial gained Y10 apiece at Y6,290 and Y1,680 respectively.

However, Fujitsu, the most active issue of the day, dipped Y10 to Y1,050 on profit-taking and TDK shed Y140 to Y4,260.

Continued profit-taking in banks by corporate investors depressed Industrial Bank of Japan by Y30 to Y3,100 and Sakura Bank by Y30 to Y1,490. Brokers were also lower, with Nomura Securities ending Y10 off at Y2,260.

Issues newly introduced into the Nikkei 300 index rose ahead of the launch of the Nikkei 300 futures contract on the Osaka stock exchange next Monday. FamilyMart, the convenience store chain, put on Y30 at Y6,800 and Orix, the non-banking financial institution, firmed Y10 to Y3,570.

In Osaka, the OSE average receded 81.44 to 21,700.92 in volume of 57m shares.

Roundup

The region's markets reacted by widely varying amounts to the rise in US interest rates, with those more heavily exposed to the dollar showing the steepest declines.

Activity this week will also be influenced by closure for the Chinese new year on Thursday. Taiwan was already closed. However, India went its own way, upwards.

HONG KONG's domestic investors joined overseas institutions in selling which took the Hang Seng index down by 743.30 to 11,414.27.

Turnover was HK$9.67bn. The Fed Funds rate rise, said brokers, had triggered an inevitable correction after a 60 per cent market gain in the fourth quarter of 1993, although selling intensified in the afternoon as Nomura, the Japanese broker, cut its weighting of Hong Kong stocks from 3 per cent to zero.

Property shares were hard hit on the thought that local mortgage interest rates were now likely to rise. HSBC Holdings, the most active counter and strong last week, retreated HK$7 to HK$124.

BANGKOK dropped 99, or 6.9 per cent, to 1,344.81, the worst fall in the region. Turnover rose from Bt9.5bn to Bt10.9bn.

The big three banks, Bangkok Bank, Thai Farmers and Krung Thai, were among the top 10 losers, with falls of Bt9 to Bt188, Bt8 to Bt108 and Bt3.50 to Bt57.50 respectively.

BOMBAY went against the trend as the BSE index soared 224.24 to 4,141.81, helped, said Mr Nigel Spence of Lehman Brothers, by a flood of both foreign and domestic money and expectations of further economic liberalisation measures in the budget, due later this month.

SEOUL was affected by the introduction of government measures to cool the market's recent rally, and the composite index slipped 27.72 to 914.88.

The three most heavily capitalised stocks, Samsung Electronics, steel manufacturer Posco and Hyundai Motor, went the day's limit down at the opening, but recovered a little later. Samsung and Posco ended Won2,000 off at Won65,000 and Won58,500 respectively and Hyundai shed Won1,600 to Won39,200.

MANILA was unsettled by a general strike called for tomorrow to protest at the recent increase in prices of oil, electricity and transport fares.

The composite index declined 74.44 to 2,890.94 in turnover of 990.4m pesos, down from Friday's 2.5bn pesos.

Philippine Long Distance Telephone, which lost 12.50 cents to $75.50 in New York trading on Friday, fell 40 pesos to 2,105 pesos.

KUALA LUMPUR registered its largest one-day fall since January 12, the composite index losing 53.30 at 1,091.02.

AUSTRALIA saw an early drop reduced by bargain hunting, leaving the All Ordinaries index down a net 51.7 at 2,281.1. Turnover was A$600.2m. BHP shed 34 cents at A$18.92 and News Corp 32 cents at A$10.08.

Asia – day's move

Bangkok	-6.8%
Hong Kong	-6.1%
Kuala Lumpur	-4.6%
Seoul	-2.9%
Manila	-2.5%
Australia	-2.2%
Singapore	-1.9%
New Zealand	-1.9%
Bombay	+5.7%

Signals point in opposite directions

By Michael Morgan

Friday's announcement from Mr Alan Greenspan that the Federal Reserve was tightening US monetary policy came at the end of a week which had seen sharp rises in world equity markets.

South Africa led the way as the political outlook improved and foreign investors began to return. In Asia, Malaysia, Hong Kong and Japan put in impressive performances, as did Finland and Italy in Europe.

Developments in Washington during last week had left strategists in little doubt that US rates were about to rise. But there were striking differences in their views on the likely consequences and on the game plans that investors should adopt.

On Thursday, Mr Albert Edwards at Kleinwort Benson wrote: "In the US, Alan Greenspan could not have been clearer. He regards 3 per cent as an excessively low interest rate which has served its purpose to eliminate the banking crisis and alleviate the credit crunch. The Fed does not care what headline inflation is, rates are heading higher soon." Mr Edwards' response was to repeat the message he has been sending since November 4: "Hold cash."

But at Goldman Sachs, Mr Sushil Wadhwani thought it unlikely that the global bull run would end when US rates began to rise: "Evidence suggests that individual investors are slow to react to changes in interest rates. Looking at the last three troughs in rates, individual ownership of equities continued to rise even after interest rates had started to rise . . . Historically, individuals typically will only have made 10 per cent of the total eventual adjustment to a given change in interest rates after six months."

Mr Wadhwani argued that individual investors had still not fully adjusted their portfolios to the decline in interest rates that had already occurred. Consequently, even if rates began to rise, it was likely that ownership of equities would continue to increase over the next year.

He added that even if individual investors did not sell equities when interest rates began to rise, share prices might, nevertheless, fall because other investors mistakenly believed that individuals were about to sell. "We would view such price weakness as a buying opportunity," he wrote, a view he was reiterating yesterday.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+0.12	+3.15	+43.64	+46.90	+38.45	+36.42
Belgium	+0.39	+0.77	+26.27	+35.74	+28.05	+26.17
Denmark	+0.70	+5.81	+37.82	+56.28	+47.67	+45.50
Finland	+5.21	+14.25	+126.95	+137.91	+128.47	+125.14
France	+0.73	+1.92	+31.66	+32.99	+26.56	+24.70
Germany	+0.40	-2.69	+32.04	+37.75	+30.44	+28.52
Ireland	+0.09	+0.06	+53.53	+68.59	+51.32	+49.09
Italy	+4.11	+14.12	+39.67	+58.89	+41.28	+39.20
Netherlands	+1.03	+1.63	+39.93	+45.66	+38.32	+36.29
Norway	+1.74	+7.70	+56.01	+59.98	+50.67	+48.46
Spain	+1.05	+8.52	+44.56	+62.92	+34.73	+32.76
Sweden	+1.43	+5.53	+58.51	+54.14	+41.01	+38.93
Switzerland	+0.78	+4.13	+50.69	+54.12	+58.57	+56.23
UK	+0.85	+1.24	+22.79	+24.84	+24.84	+23.01
EUROPE	+0.98	+2.23	+32.35	+38.62	+32.11	+30.17
Australia	+3.61	+6.58	+47.72	+44.89	+52.88	+50.64
Hong Kong	+5.58	+8.16	+113.65	+122.01	+125.83	+122.52
Japan	+5.51	+8.38	+23.92	+23.43	+44.70	+42.58
Malaysia	+6.74	-3.66	+105.23	+111.22	+102.66	+99.69
New Zealand	+3.77	+8.50	+61.75	+60.44	+81.00	+78.34
Singapore	+3.93	-1.04	+56.08	+62.96	+70.84	+68.34
Canada	-0.90	+0.01	+25.60	+25.40	+21.77	+19.98
USA	-1.86	-0.02	+4.02	+7.31	+8.91	+7.31
Mexico	+4.48	+5.73	+70.57	+56.95	+60.05	+57.70
South Africa	+7.05	-1.67	+53.35	+63.76	+83.48	+80.79
WORLD INDEX	+1.43	+3.11	+20.07	+22.62	+28.26	+26.39

† Based on February 4th 1994.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 4 1994								THURSDAY FEBRUARY 3 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	188.48	-0.4	187.31	128.78	170.10	175.32	-0.3	2.93	189.15	187.21	129.19	170.27	175.89	189.15	121.23	121.23
Austria (17)	191.20	-0.6	190.02	130.64	172.56	172.46	-0.2	0.92	192.38	190.40	131.39	173.17	172.87	195.41	138.23	139.41
Belgium (42)	168.10	0.4	167.06	114.85	151.71	148.28	0.4	3.89	167.37	165.64	114.31	150.65	147.74	169.08	138.95	139.24
Canada (107)	138.75	-2.7	137.89	94.80	125.22	133.51	-2.5	2.51	142.58	141.09	97.36	128.32	136.96	145.31	116.19	116.19
Denmark (32)	270.81	-1.1	269.14	185.03	244.41	248.23	-0.9	0.91	273.81	271.00	187.00	246.47	250.47	275.79	195.66	208.38
Finland (22)	156.72	0.6	155.75	107.06	141.44	181.79	0.9	0.56	155.74	154.14	106.37	140.19	180.21	156.72	65.60	66.90
France (99)	183.53	-0.0	182.40	125.40	165.64	169.63	0.2	2.74	183.54	181.65	125.35	165.21	169.20	185.37	147.00	147.00
Germany (59)	133.71	-1.0	132.89	91.36	120.67	120.67	-0.7	1.76	135.03	133.65	92.22	121.55	121.55	142.38	106.31	106.31
Hong Kong (56)	493.01	2.1	489.96	336.85	444.95	486.89	2.2	2.18	482.63	477.67	329.63	434.45	478.57	506.56	229.11	230.45
Ireland (14)	202.44	-1.3	201.20	138.32	182.71	198.73	-0.8	2.80	205.05	202.94	140.04	184.57	200.33	208.33	129.29	134.99
Italy (68)	76.38	0.9	75.91	52.18	68.93	95.94	0.7	1.71	75.72	74.94	51.72	68.16	95.23	78.93	55.21	60.03
Japan (468)	149.75	0.0	148.82	102.31	135.15	102.31	0.0	0.80	149.78	148.24	102.29	134.82	102.29	165.91	104.86	104.86
Malaysia (69)	522.12	0.1	518.90	356.74	471.23	556.31	0.0	1.31	521.72	516.36	356.32	469.63	556.28	621.63	267.56	267.56
Mexico (18)	2598.82	1.1	2582.76	1775.64	2345.43	8822.61	1.1	0.57	2569.30	2542.86	1754.74	2312.70	8722.88	2598.82	1410.30	1626.58
Netherland (26)	206.34	-0.3	205.07	140.98	186.23	183.08	-0.1	2.90	206.98	204.85	141.36	186.32	183.29	207.43	154.04	154.04
New Zealand (14)	76.49	-1.4	76.02	52.26	69.04	71.09	-1.4	3.27	77.59	76.79	52.98	69.84	72.11	77.59	42.62	42.62
Norway (23)	204.44	0.4	203.18	139.69	184.51	206.85	0.5	1.23	203.69	201.59	139.11	183.35	205.77	204.44	138.63	139.50
Singapore (45)	359.16	0.3	356.95	245.40	324.15	262.85	0.4	1.57	357.97	354.29	244.49	322.23	261.71	378.92	213.57	221.41
South Africa (60)	267.75	2.8	266.09	182.94	241.64	257.35	2.1	2.22	260.37	257.69	177.82	234.36	251.96	280.26	160.78	163.53
Spain (42)	154.81	0.6	153.85	105.77	139.72	164.87	0.6	3.57	153.92	152.33	105.12	138.54	163.96	155.78	116.33	127.90
Sweden (36)	230.02	0.7	228.61	157.17	207.60	267.18	0.4	1.31	229.52	228.18	156.06	205.71	266.10	230.02	152.32	152.32
Switzerland (49)	176.56	0.5	175.47	120.64	159.35	158.23	0.5	1.38	175.67	173.86	119.98	158.13	157.48	176.56	109.14	110.73
United Kingdom (216)	212.02	-0.9	210.71	144.86	191.35	210.71	-0.5	3.42	213.88	211.67	146.07	192.52	211.67	214.96	162.00	167.24
USA (518)	191.12	-2.3	189.94	130.58	172.48	191.12	-2.3	2.74	195.56	193.55	133.56	176.03	195.56	198.04	178.29	183.74
EUROPE (744)	177.05	-0.4	175.96	120.97	159.79	170.67	-0.1	2.66	177.70	175.87	121.36	159.95	170.79	178.58	134.88	136.61
Nordic (113)	220.60	0.2	219.23	150.72	199.09	225.23	0.2	1.10	220.07	217.81	150.30	198.10	224.80	220.60	144.65	144.65
Pacific Basin (722)	163.18	0.1	162.18	111.50	147.28	115.61	0.2	1.05	162.97	161.30	111.31	146.70	115.42	168.80	109.72	109.72
Euro-Pacific (1466)	168.80	-0.1	167.76	115.33	152.34	136.90	0.0	1.75	168.94	167.21	115.38	152.07	136.85	170.78	120.19	120.19
North America (625)	187.86	-2.3	186.70	128.36	169.54	187.14	-2.3	2.73	192.26	190.28	131.31	173.06	191.51	192.73	172.67	179.57
Europe Ex. UK (528)	154.92	0.0	153.97	105.85	139.82	146.92	0.1	2.17	154.96	153.36	105.85	139.50	146.80	155.73	116.28	116.28
Pacific Ex. Japan (253)	291.75	0.6	289.95	199.34	263.31	268.31	0.8	2.24	289.34	286.37	197.61	260.45	266.07	298.21	157.07	157.33
World Ex. US (1651)	170.68	-0.1	169.63	116.62	154.04	140.24	0.0	1.76	170.83	169.08	116.67	153.77	140.21	172.51	121.39	121.39
World Ex. UK (1954)	173.05	-0.9	171.98	118.23	156.17	151.08	-0.9	1.96	174.59	172.80	119.24	157.16	152.39	175.58	138.71	139.00
World Ex. So. Af. (2109)	175.90	-0.9	174.81	120.18	158.75	155.42	-0.6	2.11	177.54	175.71	121.25	159.81	156.75	178.58	140.96	141.41
World Ex. Japan (1700)	192.36	-1.2	191.17	131.43	173.61	188.20	-1.1	2.63	194.73	192.73	133.00	175.28	190.37	195.20	159.44	162.09
The World Index (2168)	176.44	-0.9	175.35	120.55	159.24	156.24	-0.8	2.11	178.02	176.19	121.56	160.24	157.52	178.97	141.01	141.46

Latest prices were unavailable for this edition.